



**STATEMENT BY CHAIRPERSON Dr. ARJUN KARKI AT THE SEMINAR  
ON  
FINANCING DEVELOPMENT IN THE LEAST DEVELOPED COUNTRIES:  
TRENDS AND PROSPECTS  
New York, 18 November 2008**

Good morning,

UN High Representative for the LDCs, LLDCs and SIDS, Mr Cheick Sidi Diarra, Excellencies, Ladies and Gentlemen,

I would like to begin my presentation, first and foremost, by thanking all participants and fellow panelists who have assembled today to discuss the importance, challenges and opportunities for financing development in the world's poorest 49 countries - the Least Developed Countries (LDCs).

With less than two years remaining to meet the deadline of 2010, for the realization of the Brussels Programme of Action (BPoA) for the LDCs, it is clear that most of the objectives will not be met. Additionally, the Millennium Development Goals (MDGs) – some of which are also included in the BPoA - will not be achieved in full if not realized in the LDCs. And, the failure to achieve the MDGs in these countries will be a failure of the international community to honor its commitments to around 800 million people living in LDCs, majority in poverty deprived of development.

The recent estimates of the World Bank (WB) claim that extreme poverty has been reduced by half in the last 25 years and therefore, the MDGs can be met in 2015. LDC Watch treats this announcement with extreme caution. The Basic Capabilities Index published in September 2008 by our coalition partner Social Watch, shows 28 LDCs at the critical level out of the total 33 countries. This index is calculated on progress in terms of basic social indicators rather than mere levels of income. And, if we are to speak in concrete terms, we have the food price crisis right before us challenging the very first goal of reducing extreme hunger by half and therefore extreme poverty. As UNCTAD rightly states, food crisis is indeed a development crisis!

Any initiative to address the hunger and food price crisis should be based on the frame work of food sovereignty which is the inalienable right of peoples, communities and countries to

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define, decide and implement their own agricultural, labour, fishing, food and land policies which are ecologically, socially, economically and culturally appropriate to their unique circumstances. LDC Watch strongly supports the call of small-holder farmers and peasant movements for genuine agrarian reform and urges the international community to make financing for agriculture development the highest priority.

Only fair trade and hence, trade justice can help alleviate poverty. The ongoing trade liberalization imposed on LDCs has exacerbated the economic and social crises of LDCs. We call on the international community for the establishment of fair trade rules based on the principle of human rights and poverty eradication. We reiterate the need for full duty-free access of LDC products to developed country markets as stipulated in the Brussels Programme of Action. The UN MDG Gap taskforce reports that only 79% of LDC exports – arm and oil excluded – enjoy access to developed country markets and this clearly falls short of the 97% duty-free treatment as committed at the 2005 WTO Ministerial Declaration. It also states that agricultural subsidies in OECD countries remain high affecting the prospects for LDC agriculture. LDC Watch upholds that any trade negotiations must be in the spirit of social justice and genuine partnership.

In order to free LDCs of their perpetual debt crisis that heavily compromises basic social expenditures with debt-servicing, we call for the immediate and unconditional cancellation of all LDC debts. The total outstanding long-term external debt of LDCs are more than US\$100 billion and the total annual debt payments figure to about US\$8 billion of which about US\$2 billion are interest payments. We claim that much of that debt is illegitimate and in some cases “odious” extended to undemocratic governments. Debt cancellation, therefore, will help LDC governments to invest in financing for development in LDCs. Specifically, LDC Watch calls for a political dialogue on the cancellation of LDC debts in the upcoming Doha conference.

A significant development following the Monterrey Consensus has been the growing legal and political interest in and recognition of the concepts of odious and illegitimate debts. Norway was the first Northern government to unilaterally cancel specific debt claims on the grounds that the credits in question were an example of “failed development policy,” a key element in the concept of illegitimacy of debt. Also, the current debt relief schemes, such as the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) are not adequate solutions to the debt problem. Some LDCs are still excluded from both the initiatives; moreover, they carry unacceptable conditionalities that tend to aggravate the socio-economic crisis persistent in LDCs. We call for financing for development in the form of grants with no conditionalities attached. The recent announcement of the WB to extend increased lending to the developing countries must include LDCs and the financial support must be in the nature of full grants.

And, coming to the alarming threat of global climate change, let us not forget that it’s again the LDCs that are hit hardest, further exacerbating their vulnerability to natural disasters when these countries are the least responsible. LDC Watch urges that the planned multi-

donor trust fund to combat climate change must have high priority focus in addressing the increasing threat created by climate change in the LDCs.

Amidst all these multiple crises of food, debt, climate, energy, coupled with the recent strike of the financial crisis; it is evident that the LDCs are bearing the brunt at the expense of the rich and developed countries. Furthermore, the collective impact of these crises has manifested into political crises worsened by violence, conflict and natural disasters prevalent in most of these countries. Therefore, fundamentally, it is the question of tackling the issue of social injustice and inequality that we cannot afford to evade any longer. LDC Watch therefore strongly calls for a re-orientation of the global development paradigm to one which is inherently based on the right to development of all human beings. And, therefore, financing for development must be fundamentally based in this direction, which will be effective only by recipient-led aid management as the key component and modality towards development effectiveness.

To overcome these multiple crises, it is crucial that the international community including LDC governments work together with civil society. In this context, financing for development in LDCs must also address capacity building of civil society and their critical engagement in addressing the development challenges in LDCs.

The ability of the world's richest nations to mobilize more than US\$4 trillion in such a short period when one financial crisis struck home is simply incredible, never mind the many crises that have plagued the poorest countries over the years. This response certainly challenges the developed countries to demonstrate similar political will in meeting the often repeated 0.15% to 0.20% commitment of development assistance to the LDCs by 2010 which stands as a meager figure in comparison to the massive bail-out funds. The rising apprehension now in the developing world that development aid could be compromised amidst the financial instability should not be turned into a harsh reality. And, this therefore calls for a complete restructuring of the financial architecture based on equality, justice and human development and hence, addressing the structural causes that creates and perpetuates poverty. The first step in this process is ensuring the representation of the entire global community ideally under the auspices of the UN, as opposed to a handful of only rich and developed countries, which goes against the very principle of genuine balance in decision and policy making. The forthcoming Doha conference is where we have to start without fail towards this important process.

Finally, LDC Watch calls both development partners and LDC governments to urgently start the preparations for the fourth UN international conference (UN LDCIV) on LDCs. And, in the process, urges the international community, including LDC governments and all development partners, to translate their mutually agreed development commitments into reality by adopting the concept of right to development from below, where the bottom billion lies.

Thank you.