

**Statement by Mr. José Antonio Ocampo,  
Under Secretary-General for Economic and Social Affairs,  
to the High-Level Segment of the Economic and Social Council**

**“Resources Mobilization and Enabling Environment for Poverty Eradication in the  
Context of the Implementation of the Programme of Action for the Least Developed  
Countries for the Decade 2001-2010”**

**New York, 29 June 2004**

I am delighted to have this opportunity to present the report of the Secretary-General's to this year's High Level segment of the Council. As we prepare for next year's review of progress towards the goals contained in the Millennium Declaration, it is entirely appropriate that the Council this year address the special problems of Least Developed Countries. I congratulate you, Madame President, for the excellent preparatory work for this discussion, which I hope will lead ECOSOC towards a renewed commitment to concrete and meaningful action.

The Brussels Programme of Action recognizes that in order to achieve the overarching target of “substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015,” LDCs will have to attain GDP growth rates of at least 7 per cent per annum and increase the ratio of investment to GDP to 25 per cent. In recent years, although LDCs as a group have grown faster than other developing countries, only seven out of forty-five countries for which data are available have registered a real growth rate of 7 percent or more. Given current trends, most LDCs are unlikely to achieve this benchmark.

There are many factors hindering development in LDCs. In my remarks, I would like to focus on four main considerations: debt, commodities, ODA and the special situation of countries at risk of conflict.

First, debt. Already constrained by structural factors, economic growth in many LDCs is further hampered by the burden of heavy external debt, which is a constant drain on limited resources. Some successes have been scored in reducing this burden in some countries under the HIPC initiative. So far, ten LDCs have reached completion point, and are benefiting from a greatly reduced debt burden, while a further eleven have reached decision point.

However, only thirty-two of the fifty LDCs are eligible to participate in the HIPC initiative. Also, serious concerns remain about debt sustainability among HIPC countries –i.e., on whether they will be able to service their remaining debts even after full provision of debt relief. Indeed, several HIPCs that have reached completion point have yet to achieve debt sustainability.

It is clear that a more systemic analysis of borrowing countries' ability to repay is needed before loans are approved. The new debt sustainability framework being developed by the World Bank and IMF is a welcome step in this direction. It underscores the importance of the quality of domestic policies and institutions, as well as the need to have adequate instruments to face the adverse shocks which could lead to difficulties in servicing the debt.

In countries where policies are sound, but the existing indebtedness calls debt sustainability into question, lending should be provided on concessional terms or in the form of grants rather than loans. Overall, there should be a significant shift in ODA flows towards grants and away from loans to counteract large or mounting debt. Indeed, in developing a new debt sustainability framework, we may come to the conclusion that multilateral and bilateral debt cancellation may be the only solution to guarantee at the same time future debt sustainability and adequate financing for reaching the MDGs.

A part of the debt sustainability problem lies in a second key concern, commodities. Overdependence on a limited group of commodities and a lack of opportunity or ability to diversify exports continue, to render many LDC economies vulnerable to shocks.

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Fluctuations in commodities prices, and the consequent volatility of export earnings, particularly in the latter part of the previous decade, have had a serious negative impact on development and debt sustainability. Volatility of commodity prices has intensified in recent years, and while recent trends are positive, overall non-oil prices have fallen by more than one third in real terms since 1980.

We should give serious consideration to the links between commodities prices and debt. This should begin with a close analysis of the effects of commodity price volatility on debt sustainability.

On the other hand, all countries should commit to better assist LDCs in their efforts to diversify their production and export bases over the long term, especially by providing free market access to LDC exports, and by removing tariffs, non-tariff and technical barriers especially for agricultural products. Industrial countries should also eliminate subsidies, and other trade distorting measures. LDCs, for their part, should utilize financial resources effectively to build capacity in manufacturing and other sectors, in cooperation with their development partners, to eventually diversify away from commodity exports.

Furthermore, international commodity agreements deserve renewed consideration. I know that the results of past efforts in this area were mixed. Nevertheless, while addressing their earlier shortcomings, they could become a relevant instrument to manage the excessive price volatility and oversupply that characterizes some commodity markets.

Whether or not the route of commodity agreements is followed, compensatory financing for export earnings shortfalls should play a more central role than in recent

decades, together with other measures to counter the extremely cyclical pattern of commodity prices. This includes designing a counter-cyclical pattern of aid flows.

This brings me to my third issue: ODA. External finance is essential to help LDCs escape the trap of low income and slow growth leading to poor investment. We need to increase Foreign Direct Investment promotional programmes and use ODA and technical assistance to build the capacity and conditions to enhance foreign and, particularly, domestic investment. We need to provide the means for LDCs to increase productive capacity, and emphasize regional and sub-regional cooperation in this regard.

However, ODA remains a major source of external finance in countries that remain unable to attract other forms of external finance. Therefore, it is as essential now, as it was at the time the international community made its commitment, renewed at Monterrey, to meet the overall ODA target of 0.7 per cent, and the LDC specific target of 0.15 per cent of GNP. Also, while maintaining a high level of support to investments in human development, a renewed emphasis on the creation of production and trade capacities is required, as emphasized yesterday by the Secretary-General of UNCTAD. This combination is the best hope of overcoming the poverty trap in which many LDCs are still caught.

Madame President:

This brings me to the last issue. In extreme cases, the very lack of development undermines the basic mechanisms of governance and contributes to political disintegration, instability and sometimes open social conflicts. These conditions cause additional drains on resources and constitute a serious disincentive for investment. Conflicts are also on the rise. Eighty percent of the world's 20 poorest countries have suffered a major civil war in the past 15 years. Breaking this cycle, and establishing or reestablishing an environment conducive to economic growth and development, requires specific coordinated efforts in these countries by many actors.

Special measures need to be undertaken for LDCs emerging from conflict, to ensure quick reconstruction and recovery, but with a firm view to achieving the developmental goals necessary to ensure future stability. Sound economic policies and stronger institutions can play an important role in preventing potential socio-economic tensions from turning violent. In this regard, much has been said about strengthening the role of multilateral institutions.

In this regard, ECOSOC should be further strengthened to tackle these issues actively, and must build on the new role it has established in mobilizing international support to African post-conflict countries with the Ad Hoc Advisory Groups on Burundi and Guinea-Bissau.

Also, within an integrated peace and development framework, ECOSOC could turn its convening and analytical capacities to help anticipate future threats to peace and

stability, and stave off these threats through the integrated and coordinated action of the United Nations system.

Madame President:

The Report of the Secretary-General addresses additional points besides those of debt, commodities, ODA and the ill effects of conflict that I have chosen to highlight in my remarks. But if as a result of your deliberations some concrete action will follow on these central issues, then the Council would have made real progress in addressing the plight of the poorest countries of the world. We must rise to the challenge.