STATEMENT BY DR. ARJUN KARKI, INTERNATIONAL CO-ORDINATOR, AT THE UN GENERAL ASSEMBLY INFORMAL SESSION IN PREPARATION FOR THE 2010 MDG SUMMIT

UN HEADQUARTERS, NEW YORK, 13 APRIL 2010

Mr Co- chairs, Excellencies, ladies and gentlemen,

I would like to thank the organisers for giving me the opportunity to speak on behalf of LDC Watch, at this Informal Session of the United Nations General Assembly (UNGA) in preparation for the 2010 MDG Summit. Today, I have been asked to speak about LDC's perspectives on MDGs with special focus on MDG 8 and Aid Effectiveness.

LDC Watch is a global alliance of national, regional and international civil society organizations, networks and movements based in the 49 LDCs[1] and supported by civil society from development partner countries. Having evolved out of the parallel NGO Forum during the Third UN LDC Conference (LDC III) in Brussels in 2001, it advocates and campaigns for the effective implementation of the Brussels Programme of Action for LDCs for the Decade 2001-2010 which contains 30 international development goals including those in the Millennium Declaration. However, we go beyond the Brussels Programme in addressing poverty, hunger, social injustices and human rights in the LDCs. With the Brussels Programme timeline coming to an end this year, LDC Watch is now engaging with its official review process that culminates at the Fourth UN Conference on LDCs (LDC IV) in 2011 in Turkey. The Office of the High Representative for LDCs has entrusted LDC Watch to lead and coordinate the civil society process towards the LDC IV.

Mr Co- chairs, Excellencies, ladies and gentlemen,

I believe that you are already aware of the fact that LDCs are recognised on the basis of their low income levels, weak human assets and high economic vulnerability.[2] Today, the situation of the LDCs is being further worsened by unfolding multiple crises related to climate change, the global economic meltdown, food crisis, fuel shortages and debt crisis; these are further exacerbating the multiple structural hindrances that LDCs face in addition to their inherent geographical constraints and environmental vulnerabilities. Today, more than 800 million of the world's citizens are facing these conditions. Clearly, the achievement of MDGs in LDCs is the greatest challenge for the entire development community. LDC Watch is, therefore, advocating and campaigning for **NO MDGs without LDCs!**

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[1]Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde. Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Kiribati, Lao People's DR, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor L'este, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia. 33 are in Africa, 10 in Asia, 1 in the Caribbean and 5 in the Pacific.

[2] The United Nations Committee for Development Policy (CDP) uses the following criteria to identify LDCs: **i)** A "low-income" criterion, based on the gross national income (GNI) per capita (a 3-year average); **ii)** A "human assets weakness" criterion based on a composite index (the Human Assets Index) which consists of indicators on nutrition, health, school enrolment and literacy; **iii)** An "economic vulnerability" criterion based on a composite index (the Economic Vulnerability Index) which includes indicators on natural shocks, trade shocks; exposure to shocks, economic smallness, and economic remoteness. A country must satisfy all the three criteria to be added to the list of LDCs. In addition, its population must not exceed 75 million.

For LDC civil society, the upcoming MDG Summit is also an important milestone in the lead-up to the LDC IV in 2011 and we are focusing specially on Goal 8 - *Global Partnerships for Development,* and on Target 8b – *Addressing the special needs of the LDCs* - which includes: tariff and quota free access for the LDCs' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debts, and; more generous Official Development Assistance (ODA) for countries committed to poverty reduction. Today, I will be giving particular attention to the key issue of ODA, which has major implications for the achievement of the MDGs in LDCs.

Mr Co- chairs, Excellencies, ladies and gentlemen,

Within the target of 0.7 per cent of Gross National Income (GNI) for total ODA, the international community has also committed to providing 0.15-0.20 per cent of their GNI to the LDCs as per the Brussels Programme and this target itself has been reaffirmed in various subsequent international forums. As the MDG Gap Taskforce Report 2009 states, although total ODA flows to the LDCs have risen from 0.05 per cent of the GNI of DAC countries in 2001 to 0.09 per cent in 2007, it remains hugely short of the target of 0.15-0.20 per cent contained in the Brussels Programme. Since the onset of the financial crisis, developed countries have mobilised hundreds of billions of dollars for "saving" banks, financial companies and a number of industrial companies. *But*, to save and uplift the world's most vulnerable citizens, despite repeated promises, has so far not been a priority for development partner countries. This fact is a mere lack of political will, as we believe that the comparatively small levels of finance needed to meet ODA targets and to fund additional efforts towards meeting the MDGs, *can* be mobilised immediately. We emphasise that the international community must honour its financial commitments and put its money firmly where its mouth is.

ODA figures to LDCs also mask unacceptable geographic disparities in the distribution of aid that are linked to foreign policy and security, the so-called "war on terror", trade and other strategic interests. In many cases, this is not development aid! In 2007, 55 percent of LDC aid went to 8 countries: Afghanistan, Tanzania, Ethiopia, Sudan, Mozambique, Uganda, Bangladesh and DRC .[3] As you will have noticed, at the top of this list was Afghanistan. The remaining 41 LDCs (an enormous 84 percent of the LDC population) were forced to share 45 percent of the flows. LDC Watch demands that ODA be used for its rightful purpose which is to address pockets of poverty, uphold human rights and address gender justice and social exclusion towards a pro-poor development. The current coverage gap in ODA to LDCs and use of aid to support non-development activities is a major barrier to achieving the MDGs in LDCs. Here, I would also like to mention that we are concerned about the recent announcement by the EU's foreign policy chief, of incorporating development cooperation into the EU's new foreign policy and security institution called the European External Action Service. Needless to say, this will have grave implications with regard to the EU's aid for development cooperation in the future and marks a disturbing trend in *global partnerships for development.*

The issue of quantity and quality of ODA is central. As LDC civil society, what we are saying is that meeting commitments on aid is important. However, more aid by itself is not sufficient! Change is needed in the *quality* of ODA. We need *better aid!* Firstly, increases in ODA flows must be genuine! Between 1996 and 2006, much of the ODA to LDCs made up of debt relief

[3] UN (2009) *MDG Gap Taskforce 2009: Millennium Development Goal 8: Strengthening the Global Partnership for Development in a Time of Crisis*

initiatives, emergency aid, and support to foreign students.[4] The distortions of the figures by inclusion of debt and other non-aid items facilitate donor countries to get away with the blatant undermining of their own commitments, and "highly distorts the reality of aid".[5]

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Almost a third of ODA from G7 countries comes with the condition that goods and services are purchased from the donor countries.[6] The painful irony is that such closed procurement systems completely contradict the openness that development partner agencies demand from their Southern partners! Most importantly, tied aid is inefficient, resulting in a mark-up of prices in the range of 15-40 percent.[7] We stress that this is neither effective aid nor effective development! Further, our civil society partners calculate that less than a third of ODA is available for programmes and projects in developing countries.[8] Less than a third! What is most worrying is that this is falling drastically – falling from 49 percent of bilateral aid in 1990, to a mere 32 percent in 2006.[9] If progress on the MDGs is to be quickened, as it must be, the international community *must* ensure that aid reaches its rightful recipients in LDCs.

As CSOs, we emphasise that the focus of development partners on aid and its timely disbursement according to their national budgetary timelines is not enough. The message that comes time and time again from our CSO partners in LDCs is that while development partners focus on aid effectiveness, they are missing the point of *development effectiveness*! The Paris Declaration (PD) and Accra Agenda for Action (AAA) have been important changes. As CSOs, we demand that development partners "walk the talk", and truly adhere to aspects such as ownership and use of country capacities and systems. We demand an approach of development that effectively addresses the issues of women, children and the most vulnerable, as well the impacts of global climate change on LDCs, by placing the achievement of equitable and pro-poor development at the centre.

The growing debt crisis in LDCs is now also linked to the global financial crisis and the subsequent decline in LDC export revenues. The HIPC initiative has failed as a result of crippling economic conditionalities and control of the process by the IMF and the World Bank. Conditionalities like cuts in public spending, trade liberalization and privatization that only lead to greater impoverishment and consequently greater indebtedness. Therefore, LDC Watch advocates for total and unconditional cancellation of illegitimate debt of LDCs on the basis of *justice* and *not charity.* With regard to duty-free and quota-free access of at least 97 per cent of LDC exports as per the 2005 WTO Ministerial Declaration, the UN MDG Gap Taskforce Report 2008 states that only 79 percent of LDC exports – arms and oil excluded – enjoy access to developed country markets which yet again spells out the failure of the international community in delivering on its commitments to LDCs. Moreover, the issues of non-tariff barriers and stringent rules of origin requirements further hamper the market access for LDC exports. The

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[4] *UN-OHRLLS LDC Advocacy Booklet*; *The Reality of Aid: An Independent Review of Poverty Reduction and Development Assistance* (2008)
[5] Tomlinson, B. (2008) World Aid Trends: Donors Distorting the Reality of Aid in 2008 in The Reality of Aid (2008) *Aid Effectiveness: Democratic Ownership and Human Rights*
[6] Oxfam International (2005), *Paying the Price: Why Rich Countries Must Invest Now in a War on Poverty*
[7] Transparency International (2008) Poverty, Aid and Corruption, Policy Paper #1/2007
[8] This is ODA excluding humanitarian aid, food aid, debt relief, TA grants, support to foreign students and refugees and donor administration costs. IBON International (2009) *Primer on ODA and Development Effectiveness*
[9] Tomlinson, B. (2008) World Aid Trends: Donors Distorting the Reality of Aid in 2008 in The Reality of Aid (2008) *Aid Effectiveness: Democratic Ownership and Human Rights*

UNDP 2008 Report 'Making Globalization Work for the Least Developed Countries' rightly notes that "at the international level, it is important to look beyond further trade liberalization to strengthening the capacity and performance of LDCs in a sustainable manner and ensuring effective market access". LDC Watch demands more urgently a radical paradigm shift from trade-led development to development-led trade that is in the interests of the bottom billion.

Mr Co- chairs, Excellencies, ladies and gentlemen,

So, where do we go from here? We as LDC civil society agree with the MDG Gap Taskforce Report 2009 that states, "The crisis has intensified the need for strengthened global partnerships for development as reflected in MDG 8".[10] What we also stress is that due to the impacts of the financial, climate and food crises, the situation of LDCs is more urgent now than it has ever been. We must realise that the MDGs cannot be achieved without being achieved in the LDCs. I emphasise that when reviewing progress on the MDGs leading up to the Comprehensive Review in September 2010, we must consider progress in the LDCs separately. This is because while the situation in other developing countries may be improving, conditions in LDCs are likely to deteriorate in this decade. Therefore, I emphasise that between now and 2015, we *must* ensure that new and concerted efforts are made towards meeting the MDGs in LDCs – by meeting the 0.15-0.20 percent target, by improving the *quality* of the aid delivered, and by establishing systems of trade, finance and technology transfer that are pro-poor and equitable, and can support the achievement of the MDGs in this decade. In this very context, towards the LDC IV interventions in 2011, LDC Watch is advocating for a next-generation LDC agenda that fully embodies the MDGs for its successful realisation.

Let us live up to our promises and NOT fail the world's poorest and most vulnerable citizens!

Thank you all for your attention.

[10] UN (2009) *MDG Gap Taskforce 2009: Millennium Development Goal 8: Strengthening the Global Partnership for Development in a Time of Crisis*