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Held at Headquarters, New York, on Wednesday, 30 June 2004, at 10 a.m.

President: Ms. Risa . . . . (Finland)
later: Mr. Aliyev . . . . (Azerbaijan)

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The meeting was called to order at 10:15 a.m.

1. *The meeting observed a minute of silence in memory of the victims of the United Nations helicopter crash in Sierra Leone.*

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 (*continued*)

2. **Mr. Lainez** (El Salvador) considered the high-level segment an opportunity to share possible solutions to the problems afflicting many countries. His own country had renewed its commitment to seek social peace, progress with equity and freedom with responsibility, with the Government focusing on democratic governance and consensus and closely reflecting the needs of the people. Its goals included promotion of human rights and fundamental freedoms, social progress and economic development for all, and social concert based on gender equality and the creation of employment.

3. Reaffirming his country's commitment to the implementation of the internationally agreed development goals, he highlighted the constraints that developing countries faced, including instability in the international economy, low prices for their exports, and their general vulnerability. Those factors reduced their ability to meet international commitments for sustainable development. In that regard, an enabling international environment should be promoted through increased foreign direct investment (FDI) and official development assistance (ODA) in order to bring the benefits of globalization to the poorest States.

4. The constant fluctuation in the price of oil and its derivatives posed serious problems for developing countries, compelling them to reallocate additional sums, originally earmarked for economic development. That important issue should be reflected in the Ministerial Declaration to be adopted at the end of the high-level segment. He urged all countries, in particular, the oil-producing countries, to demonstrate their solidarity and international cooperation with developing countries and explore alternative means of achieving economic stability, so that resources earmarked for social development were no longer diverted.

5. **Ms. Saborio** (Observer for the Committee for Development Policy) introduced the report of the sixth session of the Committee (E/2004/33). The Committee had addressed major themes including the improvement of resource mobilization and the creation of an enabling environment for poverty eradication in the context of the implementation of the Programme of Action for the Least Development Countries for the Decade 2001-2010. The Committee had recommended that the least developed countries (LDCs) should institute governance systems characterized by participatory and transparent decision-making processes and adequate accountability. The power of new information and communication technologies (ICTs) must be harnessed for that purpose.

6. Another recommendation, aimed at achieving macroeconomic stability, had to do with the establishment of national vulnerability reduction funds. Such funds could use the increased resources available during surges in commodity markets to tide them over the lean years, thus allowing for an anti-cyclical — as opposed to pro-cyclical — fiscal stance. A number of suggestions designed to improve financial management and foster domestic savings had also been made and the Committee had stressed the need to address the debt issue, to unleash the potential of increased aid effectiveness by untying the aid, and to support country priorities while harmonizing donor policies and practices in all the forms of aid delivery.

7. **Ms. Hrda** (Observer for the Czech Republic) said that improvement of partnerships at national, regional and global levels was essential, as the efforts to mobilize greater domestic and international resources for development in the LDCs had proved insufficient. Her Government supported the strengthening of multilateral development assistance, as well as close cooperation among United Nations funds and programmes, the Bretton Woods institutions and donor and recipient countries. The Czech Republic was constantly intensifying its development cooperation. While in 2001 its ODA had accounted for 0.065 per cent of the gross national income (GNI), by 2003 it had reached 0.1 per cent of the GNI and it was expected to grow by another 20 to 30 per cent in the current year.

8. Her Government's development assistance projects were mainly focused on the strengthening of local supply capacities, especially in the areas of hydrological research, water management, sanitation, mineral prospection, construction of health facilities,

sources of food supply, vaccination and education. The Czech Republic also attached great importance to the development dimension of international trade relations. The Generalized System of Trade Preferences (GSTP) of the World Trade Organization (WTO) was one of the most important instruments for strengthening collaboration and improving market access, especially for LDCs. Implementation of the Millennium Development Goals and other internationally agreed commitments remained her country's top priority. In that context, the Czech Republic viewed the New Partnership for Africa's Development (NEPAD) as a good regional initiative. Only through effective cooperation could the international community add value to the process of financing for development and mobilization of resources.

9. **Mr. Vardanyan** (Armenia) said that eradication of poverty was a precondition for sustainable development and was rightly a focus of attention not only for the least developed countries, but also for developing countries in general, and for countries in transition. It was a complex enterprise requiring the mobilization of considerable domestic and external resources, cooperation between governments and international financial institutions and the active involvement of civil society and the private sector. However, the most important factors in development were direct foreign investment and official development assistance, and he hoped the recent upward trend in both would continue on a long-term and stable basis.

10. He welcomed the project launched by the United States under the title "Millennium Challenge Account", aiming to support political and economic reforms in a number of countries. Armenia was part of that project, and had been implementing reforms with a view to creating a welfare State based on democratic values. Among the external factors crucial to development was international trade, which was seriously hampered by trade barriers and transport costs. The landlocked countries faced special difficulties, and he emphasized the importance of the Almaty Programme of Action in addressing them.

11. The system for private sale and purchase of real property was one of the important institutions, in the light of the Brussels Programme of Action, enabling economies to function properly. Among the wide-ranging reforms undertaken by Armenia since 1991, was the privatization of land and other kinds of immovables, resulting in the emergence of about 2.5 million units of real property. However, the immovable property market was poorly developed because there had been no system for registering titles or for mortgages. A land registry had been set up in 1997, based on the principles devised by the Working Party on Land Administration of the United Nations Economic Commission for Europe, which provided for the registration of legal and financial rights and rights *in rem*. The new land registration system in Armenia recognized and protected real property rights, an especially important feature in countries where institutions of private property were only gradually taking shape. It provided access to sources of finance, including mortgage loans. As an objective means of valuing real property, it formed a basis for taxation and thereby a source of local government income. It was a transparent and accessible source of information on real property, and thus a key element in the development of small and medium-size business. It also fostered the effective ownership and use of real property. As a result of the introduction of the land registry, the number of land transactions had quadrupled and the number of mortgage loans had multiplied by ten. Much of the new credit was going into the development of small and medium-sized enterprises. In the past four years, the economic reforms had resulted in an annual economic growth rate of 11 per cent, a drop in unemployment and a reduction in poverty levels by about 10 per cent, even during a transport blockade and in spite of the lack of natural resources. In May 2004, the Economic Commission for Europe had recommended the Armenian land registry as a model for other countries.

12. The goals of the Brussels Programme of Action could be achieved through cooperation and partnership. His Government was willing to play its part by sharing its experiences and offering technical assistance to interested countries.

13. **Mr. Kawatu** (Observer for Zambia) said that tremendous efforts were being made in his country to improve tax administration as well as broaden the tax base. For the mobilization of domestic resources to be successful, it needed to be accompanied by economic growth. Zambia had targeted the areas of agriculture, manufacturing, tourism and mining as pillars for such growth and for poverty reduction. Although in their external trade LDCs had enjoyed some preferential treatment in terms of market access, they still faced

significant constraints, such as limited capacity to produce sufficient and high-quality goods for export, and to meet stringent sanitary and phytosanitary measures. There was a need, therefore, for capacity-building and support to facilitate those countries' trade.

14. Private capital flows were also important, but given the weakness of the domestic private sector in most LDCs effective FDI would be needed. Although most LDCs had attracted some form of FDI, that had not had a significant impact on their economies. In Zambia, reforms were being pursued to achieve macroeconomic stability and improve financial management and accountability. The Government had set up a public/private investment forum, where the Government, the private sector, non-governmental organizations (NGOs) and donors met to discuss ways of attracting investment. Given the inadequacy of their domestic resources, however, LDCs needed not only increased ODA, but also more effective utilization of those resources. The heavily indebted poor countries should be assisted to emerge speedily from their indebtedness.

15. **Mr. Davies** (Observer for South Africa) found gratifying the genuine sympathy with and real desire to do something about the plight of LDCs. Among specific measures already taken, he commended the European Union's "Everything but Arms" initiative and the United States Africa Growth and Opportunity Act. He was pleased that the latter had been extended until 2015. Also important were debt relief initiatives, such as the Heavily Indebted Poor Countries (HIPC) Initiative, and the commitment of a fixed percentage of gross national product to LDCs. Those initiatives were making a difference and needed to be enhanced. Hopefully, the Doha round of multilateral trade negotiations would resume at WTO.

16. Those positive developments notwithstanding, the general situation of the LDCs did not seem to be improving, partly because the advice given to the LDCs in the past, such as trade liberalization, had proved unsound. The situation had turned out to be more complicated than anticipated. For example, market liberalization in Zambia had resulted in much of its formal sector being wiped out, with escalating unemployment causing serious economic and social instability. In the case of LDCs, market liberalization needed to be approached with extreme caution.

17. South Africa had played a supportive role in helping such countries as Mozambique to attract FDI and improve their growth prospects. Particularly relevant in that endeavour had been the readiness of the South African Government to offer guarantees to the private sector, when others had hesitated. Some risk-taking by those countries better-off was necessary as part of the mix of policies necessary to make a real difference. Equally relevant was regional cooperation and the African Peer Review Mechanism under NEPAD could promote good governance, best practices and investor confidence in African LDCs.

18. So far, only one LDC — Botswana — had graduated from that category. Currently, not many LDCs considered graduation a very attractive prospect because of the uncertainties about the transition period and the lack of a smooth transition strategy. The Council would need to address that issue seriously .

19. **Mr. Milintachinda** (Observer for Thailand) associated his delegation with the statement made the previous day by the representative of Qatar on behalf of the Group of 77 and China. The most important sources of financing for development were domestic ones, including taxation, financial services, microfinance and financial markets. Where external resources were concerned, the main sources were ODA, international trade, debt relief and FDI. The Brussels Programme of Action called for concerted effort by the least developed countries themselves and by all the development partners.

20. Thailand was committed to the global development agenda and to the principles of self-help and partnership. For more than three decades its Government had recognized the importance of sharing knowledge, experience and best practice as a means of bringing about closer economic and social cooperation among developing countries; for Thailand, human resources development took first place on the development agenda. Through the Thai International Cooperation Programmes, it organized bilateral cooperation programmes within and beyond the Asian region from its own budget and in collaboration with other donors and international organizations. The programmes aimed to enhance regional and subregional cooperation, including South-South cooperation, and had proved successful in many countries, including post-conflict countries and countries in transition. Thailand had also initiated a number of regional frameworks in addition to those

already in existence, such as the one in the Greater Mekong Subregion. In that subregion, the Ayeyawadi-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) sought to create joint economic activities along the border in trade and investment, agriculture and industrial cooperation, transport linkages, tourism and human resources development. It welcomed the participation of external partners in certain ACMECS programmes, such as transport improvement, energy and human resources development. A subregional economic cooperation grouping, BIMST-EC, had been formed between Thailand, Bangladesh, India, Myanmar, Sri Lanka, Nepal and Bhutan. Across Asia, the Asia Cooperation Dialogue (ACD) fostered cooperation in various projects, with Thailand leading in financial cooperation and tourism. Thailand also hoped to increase development assistance by working with other regions: it would be working with NEPAD and sharing Asia's best practices with Africa. Through the UNDP-Thailand partnership, it had organized a consultation on Africa in Bangkok in May 2004.

21. For Thailand, cooperation had four dimensions: enhancing economic linkages, providing technical cooperation, exchanging experience and best practice, and cooperating to address global challenges. With its wealth of experience as a recipient of international cooperation, Thailand had now repositioned itself in the international arena as an emerging donor. Its current Government had adopted a policy of "forward engagement" which emphasized strengthening existing relationships and forging cooperation with new partners, inside and outside the Asian region. He pledged its readiness to cooperate with both developed and developing countries to support the Brussels Programme of Action and to strive for the Millennium Development Goals.

22. **Mr. Malitikov** (Observer for the Commonwealth of Independent States) said that the Interstate Committee of the Commonwealth of Independent States (CIS) on Knowledge Promotion and Adult Education, of which he was chairman, had established a World University to prepare society for global governance, and as a contribution to the Millennium Development Goals. Everyone on the planet was affected by globalization, a process which dictated terms to governments and would determine how future generations lived. Even rich countries would risk their future prosperity if they tried to fence themselves off from it. The best way of preparing for its future effects was by embracing new forms of education which made full use of new technology to disseminate knowledge. The traditional education system had lagged behind, creating a growing digital divide and leaving almost a billion people completely illiterate. Moreover, there was currently a shortfall of 15 million teachers worldwide. Teachers needed to update their knowledge, and to learn how to apply the new technologies, which by operating outside the classroom in non-traditional ways could bring in thousands more students. It was now possible for universities to educate students by sending educational programmes via satellite teleports to any point on the planet. The use of satellite technology, which in Africa would be much cheaper than the Internet and unlike the latter would be practicable in mountain regions, would reduce the cost of education in proportion to the number of users. Ten years' experience of lifelong learning in Russia through the Modern University for the Humanities, which had its own teleport, had shown that the cost of educating 165,000 students could be as little as US$ 5 a year. The University disseminated knowledge relevant to 68 professions. It had 2,500 professors and covered over 400 cities, with educational centres in 14 countries. It was the largest university in Russia and the CIS countries, and the fourth largest educational facility in the world. Its "virtual" audience was 4,000 times larger than a traditional one. The benefits of such a system were obvious in a world where hundreds of millions lived in unrelieved poverty and over 3 billion people lived on less than US$ 2 a day. Given equal access to education, those people could become a positive balance in the world economy. On the other hand, if their numbers reached critical mass they could endanger the prospects for sustainable development. The World University provided for the exchange of knowledge among the world's leading universities, and for its export to a worldwide audience. It had been developed by the Interstate Committee of the CIS on Knowledge Promotion and Adult Education in cooperation with the Scientific Research Institute for Space Systems, the international association "Znaniye" and the UK company EduNet. He invited the participants in the high-level segment to visit the University.

23. **Mr. Mirafzal** (Observer for the Islamic Republic of Iran) associated his delegation with the statement made by the representative of the Group of 77 and China. He expressed his country's complete solidarity with the least developed countries. It had an active

diplomatic presence in most of them, and was increasing its cooperation with them, both in the field and internationally. Economic ties were not developing as fast as political ties; however, the Islamic Republic of Iran had contributed to infrastructure development and the building of hospitals and clinics in many of the least developed countries, as well as providing financial and humanitarian assistance and academic and scientific cooperation. The Government had also allocated a credit line of US$ 200 million to the least developed countries, the credit ceiling for each country to be decided on the basis of a mutual banking agreement and in proportion to its trade and commercial ties with the Islamic Republic of Iran. His country had also channelled assistance to the least developed countries through the Economic Cooperation Organization (ECO), the Islamic Development Bank and the OPEC Fund for International Development. The OPEC Fund had cooperated over the years with many multilateral, bilateral, national and non-governmental organizations worldwide to assist the poorer areas of the world.

24. He welcomed the recognition by the least developed countries of their primary responsibility for their own development, as expressed in the Brussels Programme of Action, and their serious approach to the questions of reform and governance. More resources, and urgent action, were needed to fulfil the commitments made under the Programme of Action. He called on the international community, and the developed countries in particular, as well as the United Nations system and other multilateral organizations, to live up to those commitments.

25. **Mr. Kafando** (Observer for Burkina Faso), speaking on behalf of the African Group, welcomed the report of the Secretary-General and the outcome of the two preparatory meetings for the high-level segment. Every country was primarily responsible for its own development, but could not succeed unless conditions were equitable. That was far from being the case, since the small and poor States were dependent on the rules dictated by the developed countries, in the context of globalization. Africa had 34 of the 50 least developed countries. They were unlikely to achieve the target of reducing by half the numbers in extreme poverty or suffering from hunger by the year 2015. Nor could they meet the Millennium Development Goals, or apply the decisions of the major United Nations conferences and summits, or implement the Brussels Programme of Action, unless additional resources were made available in an amount of approximately US$ 50 billion a year. Since the adoption of the Brussels Programme of Action, the least developed countries had undertaken major economic reforms which included privatization, trade liberalization and the poverty reduction strategy papers (PRSP). According to UNCTAD, trading arrangements in most of them were now as liberal as in the high-income OECD countries, yet they continued to experience declining economic growth. Many international organizations, including the United Nations, had recognized the efforts of the least developed countries to tackle the problems listed in the Programme of Action by promoting sound governance, the rule of law, democratic government and human rights, and by combating corruption. Their greatest problem in applying the Programme of Action was the inadequacy of resource flows from the international donor community, which did not match those reform efforts. That suggested a lack of political will on the part of the donors.

26. Trade could not be the “engine of development” for African countries in the absence of an equitable and participatory international trading system. Most of the least developed countries were dependent on basic commodities, and the performance of their economies was dragged down by fluctuating commodity prices. The international community must tackle that problem as a matter of urgency. Moreover, repayments on external debt continued to swallow up a large proportion of their export earnings. Since the HIPC Initiative had failed to produce the desired results, that problem must be remedied by other means, including debt cancellation. There were other problems requiring more attention: lack of market access, the need for increased ODA and for a share in the decision-making of the international financial and trading institutions, the shortage of foreign direct investment, the need to remove obstacles to the free movement of persons, and the battle against HIV/AIDS. Adopting a global approach to all those issues together would be the best way to implement the Programme of Action.

27. **Mr. Hannesson** (Observer for Iceland) said that, although significant progress had been made at the global level to reduce poverty, at the current pace most of the least developed countries would not achieve the targets of the Brussels Programme of Action or the Millennium Development Goals. Conflict was one of the main obstacles to development. Almost half the

sub-Saharan African countries had experienced violent armed conflict in the past five years, and in the past 15 years most of the world's 20 poorest countries had suffered a major civil war. Peace and development were mutually reinforcing: without development, social disparities could lead to civil unrest; without peace, developmental gains were eroded. The international community must focus on breaking the cycle and creating an environment conducive to economic and social stability. Assistance should be tailored to each recipient country's specific needs, and countries most at risk of civil war needed more and better-targeted assistance. It was important for the United Nations to work in close cooperation with other key actors such as the World Bank, the International Monetary Fund and regional development banks, as well as with non-governmental organizations. As a further contribution to attaining the targets of the Brussels Programme of Action, his Government was planning to almost treble its ODA by 2008-2009. It had been seeking to bridge the gap between military peace-building and long-term development efforts by sending civilian experts to peace-building operations in the Balkans, Sri Lanka and Iraq. It had also recently taken over control of the international airport in Kabul, Afghanistan. The present substantive session of the Council was an opportunity to address the linkages between security and development, and to make progress in the global fight against poverty.

28. **Mr. Chowdhury** (Bangladesh) said that, amid unprecedented global prosperity, the 700 million people in the least developed countries were being increasingly marginalized. The two previous programmes of action adopted by the world community for least developed countries had failed to deliver and he fervently hoped that the Brussels Programme of Action did not meet the same fate. The least developed countries were striving to fulfil their part of the commitments. Bangladesh had made considerable progress since emerging as a war ravaged independent State in 1971. Its achievements, including a breathtaking decline in the population growth rate, a record decline of 9 percentage points in income poverty during the 1990s and a 60 per cent increase in GDP, had placed the country for the first time in the medium human development country category.

29. Such successes were due to a prudent mix of socio-economic strategies, sound macroeconomic management, appropriate use of external support, pro-market policies, democratic institutions, a strong and burgeoning middle class, the emergence of a vibrant civil society and, most importantly, the efflorescence of innovative home-grown ideas like microcredit, non-formal education and social forestation, which were products of the country's indigenous intellectual and cultural resources. Development must be domestically owned, designed and driven. Accordingly, Bangladesh had an interim Poverty Reduction Strategy Paper, which incorporated the commitments made at Brussels.

30. While Bangladesh had already met some of the Millennium Development Goals and was likely to meet the rest, attainment of the targets of reduction of income poverty remained contingent on the external environment — aid, trade, debt and remittances. Bangladesh had established an independent anti-graft commission and was in the process of enacting a money-laundering prevention act, setting up a national human rights commission, and separating the judiciary from the legislature. However, it would be extremely difficult to effectively implement those mandates under paragraph 78 of the Brussels Programme of Action without additional external resources.

31. To mobilize domestic resources, the tax net had been expanded. Total revenue generation from domestic sources had increased in 2001 by more than 41 per cent over the fiscal year 1997, while tax revenue had increased by 46 per cent in the same period. Microcredit had been identified as a key instrument for domestic resource mobilization in the Brussels Programme and its success in Bangladesh was well documented.

32. While private capital tended to seek profit, aid could play the crucial role of capacity-building in the least developed countries. The absence of proper administrative, trade and development institutions constrained the initiatives of those countries in improving their lot. Therefore, it was vital to those countries that their partners fulfilled their commitment of devoting 0.15 per cent of their GNP to that vulnerable group of countries. He commended those countries that had exceeded their target of 0.20 per cent and hoped that they would maintain the much needed support to least developed countries.

33. One of the most effective means of assisting least developed countries would be to channel foreign direct investments to them. Noting that Bangladesh had a huge potential to convert its population into a resource,

he said that the remittances sent by the large community of Bangladesh expatriates bridged the trade gap, helped the country to service its debt and maintained the stability of its currency. He urged the development partners of least developed countries to explore ways and means of engaging skilled and semi-skilled labour from that group of countries on a temporary basis, which could help to ease the resource constraints of least developed countries. Lastly, cancellation of least developed country debt could release resources that could be used to build productive capacity.

34. *Mr. Aliyev* (*Azerbaijan*), *Vice-President, took the Chair*.

35. **Mr. Kittikhoun** (Observer for the Lao People's Democratic Republic) expressed concern about the fact that the world's 50 most vulnerable countries continued to be marginalized in the global development process. His country, a least developed and landlocked country, faced two additional challenges with respect to distance and border crossing. Notwithstanding those challenges, his Government had spared no effort in implementing its five-year socio-economic development plans, resulting in a 6.3 per cent annual growth rate in GDP during the period 1992-2002. The growth rate for the fiscal year 2002-2003 was around 5.9 per cent. Both the industrial and service sectors had experienced a high level of growth, yet agriculture remained the backbone of the economy, accounting for more than 50 per cent of GDP, with approximately 80 per cent of the population living in rural areas and dependent on subsistence agriculture for their survival.

36. The Government remained committed to implementing its national growth and poverty eradication strategy, with the ultimate goal of ceasing to be a least developed country by 2020. To that end, major challenges must be overcome, including integrating national development priorities, providing sufficient resources, improving government structure, reducing inequality in society, sustaining the natural environment and ensuring broader popular participation and greater application of information and communication technologies.

37. As far as the implementation of the Brussels Programme of Action was concerned, his Government had undertaken to reform its legal and regulatory framework and was finalizing a national strategy for rural credit and microfinance. The taxation system had been strengthened and an anti-corruption decree had been issued and reinforced at all levels, while consultations on money-laundering had been undertaken. Furthermore, ODA programmes had been better integrated into national development priorities, while there had been a marked increase in foreign direct investment. However, more efforts and resources were needed to implement the reform programmes and ensure an enabling environment for economic growth. In that regard, he appealed to the international community for continued and increased support for his country's efforts in meeting the objectives of the Brussels Programme of Action and other internationally agreed goals, including the goals contained in the Millennium Declaration.

38. **Mr. Neil** (Jamaica), noting that the Brussels Programme of Action had not progressed as expected, said that it was important to strengthen the supply-side capabilities of least developed countries. The Programme had not sufficiently emphasized the need for channelling resources into building a stronger production base and supply-side capability in order for those weaker economies to take advantage of opening markets; nor had it given sufficient consideration to the possibility of establishing industrialization programmes in the least developed countries. In that regard, the example of China could serve a source of inspiration.

39. The least developed countries should also be allowed to deploy the full range of policy options in a development strategy tailored to the particular circumstances of each country. PRSPs should not be dictated by any ideological or political circumstances. Indeed, least developed countries were often subject to crippling conditionalities which restricted their policy options. That practice ought to be discouraged and discontinued.

40. Lastly, the State must play an active role in the least developed countries not only in the building of physical and social structure but also as an active participant and partner with the private sector in the promotion of economic activity in all sectors. Given the desperate unemployment situation in the least developed countries, it was particularly vital for the State to play a very active role in employment generation.

41. **Mr. Penjo** (Bhutan) said that Bhutan was encouraged by the efforts of the United Nations system to ensure that the challenges confronting least

developed countries remained at the forefront of the global development agenda. Guided by the philosophy of "Gross National Happiness", which placed the individual at the centre of the country's development process, Bhutan had aligned its overall goals and strategies with the Brussels Programme of Action and had achieved notable progress. Working in close cooperation with its development partners, his Government had adopted a comprehensive strategy for poverty eradication. That strategy gave priority to rural development, with emphasis on infrastructure, land reforms, microcredit, private sector growth and the strengthening of good governance and promotion of the rule of law through the development of human resources. The highest priority was also accorded to investments in the health and education sectors, which absorbed a quarter of the annual budget.

42. Given the crucial role of the private sector in fostering economic growth and employment generation, Bhutan attached great importance to creating an enabling environment for that sector. High priority was also accorded to environmental conservation, given the country's fragile mountain ecosystem. Bhutan had progressively liberalized its trade and actively participated in the promotion of regional and subregional trade and economic cooperation.

43. As a result of a steady expansion of the revenue base through strengthening of the administrative capacity for tax collection, coupled with prudent fiscal management, the country now met its recurrent expenditures through domestic revenue. Despite such efforts, however, the paucity of domestic resources posed a major challenge to least developed countries. In Bhutan's case, there was neither a large domestic market nor a strategic trading location to attract foreign direct investment and private external inflows. Despite prudent fiscal policies, the country continued to rely heavily on ODA for its development programmes.

44. The least developed countries were making concerted efforts to meet their commitments to create an enabling environment in order to eradicate poverty. Those efforts must be urgently complemented by a clear and long-term commitment of financial and technical assistance by development partners. That would enable least developed countries to shift away from a piecemeal approach to development and adopt bold and integrated initiatives. The critical role of ODA in financing the resource gap of least developed countries also needed to be highlighted.

45. **Mr. Løvald** (Observer for Norway), noting that the international community was lagging behind in its efforts to meet the Millennium Development Goals by 2015, said that immediate action was required to mobilize resources on a broad scale, internationally as well as nationally. The primary responsibility for development lay with the least developed countries themselves, which needed sound policies and good governance at all levels, including with respect to macroeconomic policy and public administration as well as in relation to democracy and human rights. Better anti-corruption policies and investment in social and physical infrastructure were also required. The least developed countries had undertaken important reforms in those areas, but further progress was needed to mobilize the necessary resources — nationally and internationally — to fight poverty in those countries.

46. The least developed countries needed more and better aid, better debt relief, improved market access, further integration into the international trading system, more foreign direct investment and measures to stimulate private sector development. Norway's development assistance in 2004 was 0.94 per cent of its GNI. His Government was committed to reaching the target of 1 per cent in the period 2005-2009 and intended to remain at that level at least.

47. Norway's main partner countries were least developed countries and it had long exceeded the agreed target of 0.2 per cent of GNP as ODA to least developed countries. In the previous year, least developed countries had received 42 per cent of all Norwegian bilateral ODA. Yet increasing the volume of ODA was not enough to address the problems of those countries. Aid must be more effective and better coordinated. While poverty reduction strategies were important tools in that regard, they needed further refinement to ensure country ownership, broader participation and broader coverage.

48. Debt sustainability in low-income countries continued to be an essential condition for economic stability and development. It was imperative to fully complete the HIPC Initiative and ensure that more countries were granted broader and deeper debt relief. The Initiative must be extended beyond the "sunset clause" and its long-term financing must be ensured, including financing for "topping up" debt relief for

countries experiencing external shocks and those emerging from war and conflict. Norway, for its part, would continue to cancel 100 per cent of the debt of the poorest countries and would continue to finance bilateral debt relief outside its development budget.

49. Trade was an important vehicle for promoting economic growth and development. Developing countries, particularly least developed countries, needed improved market access in order to avoid the debt trap and achieve long-term sustainable growth. Since July 2002, Norway had been granting duty-and quota-free access to its market for all imports from the least developed countries and encouraged all other developed countries to follow suit. Advanced developing countries should also contribute to improved market access for the least developed countries. However, in order for poorer developing countries to benefit from market openings, there would be a need to develop their production and trade capacity and expand employment opportunities. Supply capacity constraints, in particular those related to productivity and quality, logistics and infrastructure, must also be addressed. What was needed was aid for trade.

50. A more vigorous private sector was also needed. Developing countries should develop stable and predictable frameworks for private sector development and investment, with their development partners providing ODA for building infrastructure and institutions conducive to private sector development. Those partners could also stimulate foreign investment by offering venture funds and investment guarantees in poorer developing countries. Norway had established NORFUND, a special fund for investment in developing countries, which provided risk sharing, investment and expertise for the development of private enterprises in developing countries. Priority was given in that regard to investments in least developed countries. In 2003, 41 per cent of the Fund's investments had gone to least developed countries.

51. **Mr. Sharma** (Observer for Nepal) said that the Brussels Programme of Action had galvanized least developed countries and their development partners: LDCs had pursued fundamental reforms to improve governance and accelerate development, and donors had increased ODA and opened their markets to LDC exports. However, many LDCs remained economically vulnerable, a reminder of the need for urgent and resolute measures.

52. Poverty reduction was a major priority for Nepal, where almost 40 per cent of the population lived below the poverty line. Attention would therefore be focused on accelerated growth and human resource development, in an effort to optimize Nepal's comparative advantage and to harness its resources. His Government worked closely with the private sector and civil society in a spirit of partnership and had empowered local governments to plan, implement and monitor development activities.

53. However, the pace of development had been seriously undermined by Maoist insurgency and the global economic downturn. In addition to fighting corruption and improving the delivery of basic services, the Government had accorded top priority to finding a political settlement to the Maoist problem and to holding general elections by April 2005.

54. The challenges of development and governance could not be tackled without external support. New and additional resources in the form of aid, debt relief, foreign direct investment, improved market access and increased trade were critically important to boosting production and productivity. In that regard, he underscored the value of South-South cooperation, as a potent instrument for collective capacity-building and progress.

55. **Mr. Kazykhanov** (Observer for Kazakhstan) supported the recommendations contained in the Secretary-General's report on resource mobilization for the development of LDCs (E/2004/54) and said that poverty was a problem faced by virtually all developing countries and economies in transition. Kazakhstan had taken forceful measures to eradicate poverty, in close cooperation with the private sector and civil society. In particular, the country had increased the level of microcredit in the rural areas, reduced unemployment, raised the minimum wage and pensions, and gross domestic savings.

56. Kazakhstan's progress in the eradication of poverty had resulted mostly from mobilization of domestic resources but an issue of paramount importance to all LDCs was the mobilization of international resources. He supported the appeal to donor countries to honour their commitments with regard to ODA flows, provide free market access to LDC exports, accelerate the implementation of the HIPC Initiative, and facilitate the efforts by LDC governments to expand education programmes related

to AIDS, malaria and tuberculosis. His country also supported an increased strategic partnership in the follow-up to the outcomes of major international conferences. For its part, Kazakhstan was ready to contribute, within its means, to international efforts to find a solution to those problems and had recently allocated about $100,000 to the trust fund for the implementation of the outcome of the 2003 United Nations Conference on Landlocked and Transit Developing Countries.

57. **Mr. Laurin** (Canada) said that his Government was particularly pleased that the scope and approach of the report of the Secretary-General reflected key understandings and agreements, on the nature of the challenges to sustainable development, that had been reached at the major international conferences.

58. A market economy, supported by just and effective institutions, was the most fertile environment for achieving broadly based growth and poverty reduction. An enabling environment for private sector assistance to the poor should be integrated into development assistance efforts. Furthermore, effective development assistance, coupled with transparency and accountability, inspired donor confidence, which in turn encouraged development assistance.

59. Canada's approach to international assistance included increased outlays, bilateral debt cancellation and freer access to Canadian markets. The positive impact of aid was as diminished by inadequate systems of domestic governance in many developing countries, as it was by poor coordination, incoherence and inefficient policy formulation and practices adopted by donors. Canada was committed to addressing its shortcomings in that regard: existing practices were to be reviewed to make them more flexible and responsive to the needs of developing countries. Jointly with its partners, the Government was engaged in building capacity for the management of development assistance.

60. **Mr. Rivas** (Colombia) said that the commitments made by the international community with respect to least developed countries were both insufficient and overdue. There was broad consensus on the primary responsibility of States in development and poverty eradication, and full agreement on the urgent need for international action in achieving those goals. The Declaration on the Right to Development highlighted both the national and international dimensions of the right to development. Globalization could not be compartmentalized. An unfavourable international environment would not only worsen poverty, but also impoverish the countries generally regarded as being of middle income, many of which were already being alienated from the benefits of globalization.

61. In order to achieve more effective financing for development, greater resource mobilization, along with strengthened regional financing organizations, increased official development assistance and foreign direct investment, and a redesign of the overall financing structure were essential. International support held tremendous potential for the prevention and resolution of internal armed conflicts. Apart from the violation of the fundamental rights of people directly affected, situations of conflict posed other serious threats to development. A multilateral fund administered by the United Nations would help to stabilize resource allocation for the return of displaced persons, assimilate former combatants into society and pave the way for sustainable peace and development.

62. **Mr. Gopinathan** (India) joined previous speakers in appealing for support to LDCs in achieving higher growth rates, improving the delivery of services and reducing poverty, through more effective aid, debt relief and market access. Debt relief often fell short of the level needed to achieve long-term debt sustainability and meaningful poverty reduction. The lifting of debt servicing obligations would free resources for social spending and, for its part, India had written off the debt of seven highly indebted countries.

63. With regard to the Brussels Programme of Action, resource mobilization efforts required a supportive international environment that was stable and predictable. The role of trade in the growth and development of LDCs was also recognized in the Programme of Action, and India welcomed the steps taken by some development partners to open their markets. There was also a need to help LDCs build capacity in manufacturing and other sectors to enable them to diversify production in order to lessen dependence on commodity exports. In closing, he highlighted the potential of South-South cooperation and welcomed the launch of the third round of negotiations for the Global System of Trade Preferences at the UNCTAD-XI meeting in June 2004.

64. **Mr. Demargne** (Observer for the International Association of Economic and Social Councils and

similar institutions) said that his Association welcomed the current policy dialogue with the Council, which gave high priority to the urgent issues affecting LDCs. In that context, he introduced the chairman of the Union of Economic and Social Councils of Africa, a member of the International Association.

65. **Mr. Toukourou** (Observer for the International Association of Economic and Social Councils and similar institutions), speaking on behalf of the Union of Economic and Social Councils of Africa, said that poverty eradication could best be achieved through North-South coordination. Although the governments and people of the least developed countries must lead the fight against poverty, international cooperation should support national policies. Close cooperation with local administrations and civil society was indispensable to the formulation of policies to combat poverty.

66. In conclusion, he reiterated the interest of the Union in pursuing partnerships with economic and social actors, under the auspices of the Economic and Social Council, in order to better coordinate the policies and programmes of poverty eradication. He also encouraged the establishment of additional economic and social councils to expand the network of partnerships, and urged Governments and international organizations to pursue further partnerships with the members of civil society, on behalf of the world’s poor.

The meeting rose at 1.15 p.m.