

Side Event on the Least Developed Countries - Statement by H.E. Mr. Yves Leterme

21 September 2010

Let me, first of all, sincerely thank the government of Nepal for organizing this event. It is an initiative we highly appreciate. And it is with great pleasure that I take part in it.

For indeed, Belgium's interest and support for the Least Developed Countries is well known. The third UN Conference on the LDCs took place in Brussels under Belgian presidency of the EU. Here in New York, Belgium has always been very dynamically involved in activities related to the LDCs. And, crucially, our development aid has had a strong focus on the LDCs for many years. To give you just the latest figure from the OECD/DAC: in 2009 55% of Belgian ODA went to LDCs. That means that Belgium, with close to 0.30% of its GNI going to LDCs, is now in the very top league of LDC donors. The concept note that was distributed for today's event clearly situates our meeting in the preparatory process leading to the Fourth UN Conference to be held in Istanbul next year. Belgium certainly looks forward to an active participation in this conference. It is by the way my great pleasure to announce that Belgium has decided to allocate four hundred thousand euro to the Trust Fund set up by the Office of the High Representative for the organization and the preparatory process of this Fourth LDC Conference.

Obviously, in Istanbul the world community should reaffirm its collective commitment and renew the global partnership in favor of the LDCs. It is of the utmost importance that this collective commitment and global partnership be translated into a concrete agenda in support of the LDCs, an agenda expressly geared towards their specific needs and challenges. Such agenda will have to be multidimensional, spelled out at the domestic and international level and involving not only government stakeholders but also civil society and the private sector. At the domestic level there will be need for policies tailored to specific country circumstances, people centered and radically aiming at poverty eradication and human flourishing. This requires development governance founded on participatory collaboration between the State, civil society and the private sector. Development of productive capacities and the wide participation of all citizens in wealth creation will have to be key objectives. Such policies will necessarily be buttressed by enhanced capacities for raising domestic resources. Nobody doubts that sound domestic policies are a vital prerequisite. But such policies have little chance of success if they are not supported by the international community. Trade and aid are two critical pillars of that support.

With regard to trade, the preferential treatment LDCs enjoy has to be supplemented by efforts to make sure countries can fully utilize such benefits. In that regard, the latest United Nations World Economic and Social Survey rightly makes the appeal for allowing low-income countries greater space in defining their production sector and export promotion policies. Sure enough, international financial resources will be indispensable. Thanks to appropriate policies, foreign direct investment will play a key role, as will the flow of remittances. We know however that as long as LDCs have insufficient access to such flows, international cooperation will remain vital and this – it should be underlined – not only as a source of funding but perhaps even more as a factor of human capacity development. Allow

me, as a representative of a donor country, to dwell a moment on this topic of international cooperation. There are two issues I want to elaborate on: aid-allocation and innovative sources of development financing. There is no escaping the sobering fact that today's aid-allocation, by country and by sector, is not sufficiently in line with priority needs. Looking at the geography of aid flows one cannot avoid the conclusion that development needs are not the only, maybe not even the primary, criterion for aid allocation. As for sector-wise aid allocation, in the past decade traditional ODA has primarily gone to the social sectors while emerging actors have been more active in economic sectors like infrastructure development. No doubt these choices are driven by legitimate views on development and by defensible economic paradigms. However, questions remain. To what extent is such aid-allocation in line with the objective of development-effectiveness? Is it not too much donor-driven? How can we evolve towards a genuinely needs-based aid-architecture built on equal partnership among donors and recipients? I hope the issue of more effective aid allocation can be a topic at the Conference in Istanbul.

As for innovative sources of development financing, this is another point where I gladly join the latest United Nations World Economic and Social Survey where it suggests that new forms of international taxation should play an increasing role in providing the resources needed for development finance. Belgium is an active member of the Leading Group on Innovative Financing for Development. A recent expert report commissioned by the Leading Group proposes an International Currency Transaction Levy of 0.005%. That is 5 cents for each 1.000 Euros. The report convincingly argues that such levy could raise 20 to 35 billion US Dollar annually, while it would in no way disturb the real economy. The report is also very persuasive in explaining the technical details of how the proposed levy would be work in practice. My conclusion is self-evident: instituting such Currency Transaction Levy is no longer a matter of technical feasibility. We know now it is feasible. Instituting it is a matter of political will. Therefore Belgium will join partner countries in the Leading Group in strongly advocating a currency levy. We do so today at this high level gathering and we will continue doing so wherever we think our advocacy can be effective. Let me invite all of you to join us.