Statement by the Chair of the Least Developed Countries in the First Prep Com of FfD4 in Addis Ababa
July 22, 2024

Distinguished Co-Chairs

Excellencies

Distinguished delegates

I feel honored to speak on behalf of the group of the Least Developed Countries.

On behalf of the Group, let me thank the Government of Ethiopia for hosting the first session of the Preparatory Committee of FfD4.

Excellencies

Distinguished Delegates

With an ambitious package of support to LDCs in Addis Ababa Action Agenda, we were hopeful that it would help billions of people come out of poverty and hunger, drive the engines of growth and development in the LDCs.

Yet, almost a decade since its adoption, LDC's plights and structural vulnerabilities have not been lessened- but are growing instead. The resource crunch continues to impede LDCs' development efforts and needs.

Their progress toward the achievement of the 2030 Agenda has been severely impacted by multiple global challenges.

In some cases, our hard-earned achievements are regressed, pushing millions more to poverty, hunger, and malnutrition.

Excellencies,

LDCs are facing enormous challenges in financing for development.

Out of 39, only 14 LDCs reached the DPoA target of a tax-to-GDP ratio of at least 15 percent at least once.

The capital flight is draining scarce resources.

FDI and private finance in LDCs continue to shrink.

The share of manufacturing is decreasing.

On the other hand, the share of global ODA in LDCs decreased by 22% in 2022, the lowest in over a decade.

MDB's share of grants to LDCs has also decreased and the fund has become less concessional despite an overall increase in MDB lending.

Between 2018 and 2020, only 15 percent of mobilized private finance went to the LDCs through a few large-scale projects.

LDC's share in global commodity trade has stagnated at around 1 percent for over a decade.

The full duty-free and quota-free market access promise still has a long way to go.

Most distressingly, Government debt as a percentage of GDP in the LDCs has significantly risen, standing around 60 percent for 2023

As of 30 November 2023, 6 LDCs were in debt distress and 15 were classified as facing a high risk of debt distress.

Our limited resources are thus drifting away from basic social services like health, education, and social security to debt service payments.

Nineteen LDCs' interest payments outweighed public expenditures in the health sector, 8 LDCs spend more on debt services than education, and 4 LDCs have public investment behind the interest payment on public debt.

The cost of remittance, one of the important financing resources in many LDCs, is still exorbitantly high.

According to the UNCTAD report, LDCs face an annual spending gap of 40 percent of GDP to achieve the SDGs.

Excellencies,

In this backdrop, it is incumbent upon the international community to pay special attention to the LDCs. Now, let me highlight a few points:

First, we strongly urge the developed countries to urgently fullfill their ODA commitments of 0.2 percent of GNI to LDCs.

Support in the form of concessional financing should also be scaled up aligning with the priorities of DPOA.

Second, multilateral development banks need to bolster their capital base and increase their grant assistance and concessional lending to LDCs through a specific window and contingency financing to better match the needs of LDCs.

Third, enhanced aid for trade to the LDCs is vital to increase their productive capacity, integrate their products into global value chains, enhance digital trading infrastructures and skills, and diversify their products and commodities as well as market.

Fourth, a comprehensive debt relief package for debt-distressed least-developed countries is urgently needed.

We call for coordinated policies aimed at fostering debt relief, debt restructuring, and sound debt management including debt swap initiatives for sustainable development.

Fifth, LDCs also call for a stronger Global Financial Safety Net. IMF's concessional and sustainability-oriented lending facilities must be adequately resourced, with special focus to the LDCs.

Sixth, concrete measures should be taken to increase FDI to LDCs, and innovative financing instruments to bridge the financing gap in LDCs.

We also urge MDBs to scale up and leverage private finance in support of sustainable development efforts aligned with the national sustainable development goals and priorities of LDCs.

Seventh, measures aimed at reducing the cost of remittance flow to LDCs, is critical.

Finally, a reformed global financial architecture is essential to ensure that is inclusive, participatory, and responsive to the needs of the furthest behind first.

To conclude, We are confident that the upcoming FfD will set specific targets and commitments in international public finance for LDCs and provide due consideration to the needs and priorities of these countries.

I thank you.