

**FHSMUN XXIX
GENERAL ASSEMBLY SECOND COMMITTEE**

ADDRESSING THE NEEDS OF THE LEAST DEVELOPED COUNTRIES

Introduction

The disparities in economic and human development between the wealthiest countries and the poorest countries are often staggering. Even within countries, the expectations and experiences of the wealthiest residents frequently bear little resemblance to the lives of the poorest residents. As the delegates of the General Assembly Second Committee seek to improve the quality of life for the peoples of the Least Developed Countries (LDC's), it is imperative that the proposed solutions reflect the priorities and desires of all of the appropriate and interested stakeholders in this multilateral dialogue.

Least Developed Countries (LDC's) and the Millennium Development Goals (MDG's)

The contemporary developmental paradigm for the UN System was developed in the late 1990's and then formalized in the Millennium Development Goals (MDG's). By agreeing to the Millennium Development Goals (MDG's), countries commit to: "1)eradicate extreme poverty and hunger; 2)achieve universal primary education; 3)promote gender equality and empower women; 4)reduce child mortality; 5)improve maternal health; 6)combat HIV/AIDS, malaria and other diseases; 7)ensure environmental sustainability; and 8)develop a global partnership for development" by 2015.¹ While these goals are crucial for all countries, meeting these goals is truly paramount for the Least Developed Countries (LDC's) of the world.

Criteria for Least Developed Countries (LDC's)

There are currently 50 countries in the world that are designated LDC's by the Economic and Social Council (ECOSOC) of the UN. Of those 50 countries, 35 of them are from Africa and 7 more are found in either South or Southeast Asia; only 1, Haiti, is located in the Western Hemisphere. ECOSOC conducts a triennial review of the countries that might qualify as LDC's and a country must meet all of the criteria to be considered an LDC. ECOSOC's criteria is: 1)the country must have a Gross National Income (GNI) of less than \$750 per capita; 2)a weakness in human resources as measured by the Human Assets Index (HAI); and 3)Economic Vulnerability Index.² If a country achieves significant progress in regards to the above criteria, that country may be eligible to graduate from the list of LDC's if the General Assembly votes to remove the country from the list.

¹ <http://www.un.org/millenniumgoals/>

² <http://www.un.org/special-rep/ohrls/ldc/ldc%20criteria.htm>

Challenges facing the Least Developed Countries (LDC's)

The challenges facing the governments, peoples, and civil society representatives of the Least Developed Countries (LDC's) are often daunting. Angola has an average life expectancy from birth of only 36 years and an infant mortality rate of 191 per 1,000 births; the Central African Republic (CAR), Niger, and Zambia have had over 60% of their populations living in extreme poverty during the period 1990-2003; and the LDC's occupy the lowest ranks of the 177 countries ranked by the UN Development Programme (UNDP) on its Human Development Index (HDI). While the statistics are frightening enough, they frequently mask the horrific human suffering that is concentrated within these countries and especially within the impoverished and marginalized of these countries. Furthermore, while each LDC will have unique characteristics that contribute to its status as an LDC, many of the most crucial issues are common to most of the LDC's.

Within the UN System, the highest level official for the Least Developed Countries is the head of the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States. As the title of the office indicates, many of the Least Developed Countries (LDC's) are at lower levels of development because of their geographic isolation; 11 of the 50 LDC's are also Small Island Developing States (SIDS) and 16 others are also Landlocked Developing States (LLDC's).³ Landlocked countries face limited access to many of the world's most important trade routes and would benefit from increased access to the world's seas and oceans. Conversely, Small Island Developing States (SIDS) have plenty of access to the world's maritime trade routes but they are often hundreds to thousands of miles away from their trading partners. Small Island Developing States (SIDS) frequently also have very small populations and lack much of the needed infrastructure for many forms of economic development.

While the problems of the Least Developed Countries (LDC's) do exhaust the pages of many academic and professional tomes and journals, several major areas must be addressed immediately: investment, including investment in infrastructure necessary for economic and human development; technology transfers from the highly developed countries; debt relief; market access; health and public services; education; environmental sustainability; and the empowerment of women and girls. Economies and societies that are more dynamic and also responsive to the needs of their peoples frequently benefit from sustained investment from their own citizens and corporations as well as from external sources, including multinational corporations (MNC's), international organizations, including the UN System, and non-governmental organizations (NGO's). Unfortunately, the LDC's typically suffer from a lack of investment, both from within their own countries and glaringly from the outside. Foreign Direct Investment (FDI) to the developing world is overwhelmingly concentrated in countries such as Brazil, Chile, Mexico, South Africa, and Turkey, middle-income developing countries with important profitable sectors for outside investors, as well as in the rapidly growing economic giants of China and India. Countries like Benin, Haiti, Laos, and Yemen attract comparatively

³ <http://www.un.org/special-rep/ohrls/ldc/list.htm>

little FDI and their peoples rarely see the direct benefits of FDI spread equitably throughout their societies. Directing more internal as well as external investing into the economies of the LDC's must be one of the immediate priorities for the General Assembly Second Committee. As LDC's reform their own capital controls and finance laws, in return they need to receive more direct market access to the largest economies of the world. At all recent international development and debt relief conferences, including those in Monterrey, Mexico and Doha, Qatar, developing countries have reiterated their needs for greater market access as well as the potentially discriminatory system of protectionist barriers and subsidies to domestic producers in the highly developed countries. Greater trade between developing countries, so-called "South-South trade," is vital, as well, because many of these economies suffer from insufficient market access to essential resources and dynamic markets. Finally, microfinance initiatives that respond directly to the needs of the local communities may be critical in redressing the potentially crippling lack of access to capital and credit within the LDC's.

The vast differences in the quality of the lives of the peoples of the highly developed, developing, and Least Developed Countries (LDC's) is nowhere more starkly on display than in the gulfs between them in terms of the provision of health and public services. The citizens of the highly developed countries enjoy average life expectancies that average near 80 years of age while those in the LDC's hover in the 40's and 50's, with the lowest averages falling in the mid 30's. Infant mortality, child mortality, and maternal mortality rates in the LDC's are between 20-100 times greater than they are in the highly developed countries. The number of people, especially children, who die each day in the LDC's from water-borne illnesses is simply staggering, especially when one considers that the vast majority of the deaths are preventable.

If education truly is the great societal equalizer, then it is simple to see why inequalities persist in the Least Developed Countries (LDC's), especially in regards to the status of women. Many LDC's are still quite far from meeting the Millennium Development Goal of achieving universal primary education by 2015. The critical lack of educational opportunities for women and girls in many LDC's is only slowly being redressed; according to the United Nations Development Programme's (UNDP) 2006 *Human Development Report*, adult female literacy rates in Niger, Chad, and Mali are 15.1%, 12.8%, and 11.9%, respectively.⁴ These numbers, while appallingly low, are becoming more the exceptions than the rule. *The Economist*, while analyzing a recent World Bank report on development indicators, summarizes the value of educating women and girls to a society thus: "in general, the more girls there are at school, the higher the educational performance for everyone."⁵ Investing in universal primary education as well as expanding both higher education and technical education opportunities for the populations of the LDC's are critical steps towards addressing the needs of the LDC's.

⁴ UNDP, *Human Development Report 2006*
Found at: <http://hdrstats.undp.org/indicators/235.html>

⁵ *The Economist*, "A man's world?" November 1, 2007.

Development efforts must also be sustainable if they are to provide the anticipated rise in living standards as well as overall quality of life for present and future generations. As national governments and local communities devise development strategies, they increasingly have to take into account the impact on the natural environment as well as the long-term viability of any specific development project. Donors and lending institutions, as well as national governments, frequently require environmental impact studies and projections of the likelihood that the projects will eventually become self-sustaining, especially financially. These environmental impact studies, notwithstanding, “suppliers have largely ignored the challenges of designing scaleable, institutionally sustainable delivery models in poor, rural areas, often opting for parallel and supposedly more expeditious approaches.”⁶ Within the context of establishing truly sustainable development paradigms, the LDC’s of the world need sustained transfers of vital technologies to replenish and increase their overall capital stock as well as to avoid falling further behind the middle-income developing countries and the highly developed countries.

Forging a multilateral development partnership

Meeting the Millennium Development Goals (MDG’s) will require sustained multilateral partnerships that incorporate all of the relevant stakeholders: national and local governments; international organizations, including the UN System, the World Bank Group, and regional development banks; non-governmental organizations (NGO’s); and business groups, unions and organized labor, and civil society representatives. Within the UN System, many principal organs and Specialized Agencies cooperate actively to address the needs of the LDC’s. The United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA) have combined efforts to create the United Nations Capital Development Fund (UNCDF). The UN Conference on Trade and Development (UNCTAD) publishes a series titled *Least Developed Countries Report* and the UN Office of the High Representative for the Least Developed Countries, Landlocked Developed Countries, and Small Island Developing States falls under the domain of the Economic and Social Council. Delegates must not conclude that these are the only organs and Specialized Agencies within the UN System that devote serious attention to the needs of the LDC’s but the work of these particular bodies occupy a central place within the multilateral development partnership that currently exists.

Non-governmental organizations (NGO’s) and interested civil society representatives, including business and labor organizations, must also be deeply integrated into any comprehensive plan to address the needs of the LDC’s. As NGO’s and related civil society representatives tackle local development initiatives as well as international issues like debt relief for the LDC’s, they are not only helping the LDC’s implement crucial, pro-poor development strategies but also laying the groundwork for long-term economic and social development. Oxfam International’s partnerships with Cambodian, Guatemalan, and Indonesian organizations and villages to remedy the

⁶ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “UNCDF (United Nations Capital Development Fund) business plan 2005-2007” DP/2005/22 May 2, 2005 p. 5.

consequences of natural disasters as well as to establish long-term, small-scale entrepreneurial ventures in the developing world is emblematic of successful sustainable development initiatives undertaken by NGO's and civil society partners.⁷ Furthermore, Oxfam has also been at the forefront of the international efforts to alleviate the crushing debt burdens that many LDC's face but its valiant efforts would come to naught without the equally vital efforts of many local NGO's and civil society partners within the LDC's.

Debt Relief, the World Bank, and the HIPC

Many developing world countries are saddled with long-term external debt burdens that are potentially crippling to their development efforts and strategies. Debt service payments to international organizations and development banks as well as the accompanying structural adjustment programs (SAP's) or austerity measures imposed by these lenders often ultimately channel vital monies away from development efforts. If the debt burdens become truly unsustainable, then developing countries will be unable to repay them and may see their economies collapse. More developing countries might also look to the examples of Mexico in 1982 and Argentina in 2002 as these two countries essentially repudiated many of the conditions imposed upon them by the IMF and the World Bank.

In 1996, the World Bank established what has become its signature debt relief program, the Highly Indebted Poor Countries (HIPC) Initiative. The World Bank states that debt relief is now directly to internal reforms and the successful implementation of poverty reduction strategies. The World Bank has long championed Uganda, the first country to successfully complete or graduate the HIPC, as an example of the profound impact that debt relief, when coupled with fiscal and governmental reforms, can have on a highly indebted poor country. Noreena Hertz, Associate Director for the Centre for International Business at the University of Cambridge (UK), asserts that the Ugandan reality is not nearly as rosy as the World Bank has painted it. "The amount of debt that countries are eligible to have canceled continues to be measured in a way that reflects creditors' interests, not debtors' needs. Uganda, for example, the first country to make it through the HIPC, still pays out roughly 12 percent of its government revenues to cover its outstanding debt."⁸ While debt relief is clearly needed for the LDC's, the World Bank's HIPC represents only one of the possible options, and it is often very unpopular with the populations of the recipient countries because of the impacts of the mandated structural adjustment programs (SAP's).

Many LDC's are also skeptical of many of the debt relief initiatives advocated by the IMF and the World Bank, and this skepticism is due in no small part to the fact that during the period 1970-2002, many countries that received loans repaid the entire amount loaned and yet still found themselves saddled with continued debt. Debt service payments and additional loans to recipient countries have often led to sustained indebtedness and have aroused bitter resentment throughout the developing world. In Africa alone, the

⁷ Please see <http://www.oxfam.org/en/programs/development/> for more information.

⁸ Noreena Hertz, *The Debt Threat: How debt is destroying the developing world ... and threatening us all* HarperCollins New York 2004 p. 118.

cycle of borrowing, repaying, and further indebtedness has reached devastating proportions. Between 1970 and 2002, African countries borrowed a total of \$540 billion USD and repaid \$550 billion USD towards the principals of their loans as well as in debt service payments but found that their collective debts had risen from just over \$10 billion USD to nearly \$300 billion USD.⁹ While recommendations have been made to “accelerate implementation of the Highly Indebted Poor Countries (HIPC) Initiative for eligible LDC’s and reduce, and wherever possible cancel, all multilateral and bilateral debt completely,”¹⁰ many political activists from the LDC’s as well as middle-income developing and highly developed countries have called for reduced interactions with the IMF and the World Bank group entirely, arguing that debt cancellation is both a moral issue as well as a practical imperative for sustained economic growth and human development.

The International Development Association (IDA) and the World Bank Group

Within the World Bank Group, the International Development Association (IDA) is the primary body that focuses on the LDC’s of the world. While the IDA works with 80 of the poorest countries in the world, and it serves as the “single largest source of donor funds for basic social services in the poorest countries,” many of the largest primary recipients of IDA credits are amongst the largest developing countries in the world, including India, Pakistan, Bangladesh, Vietnam, and Ethiopia.¹¹ Unlike the more controversial loans from the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), usually referred to as the World Bank, IDA credits carry small service charges of .75% but are not interest-bearing loans. The maturity periods for the credits are also longer, typically 20, 35, or 40-year periods with 10 year grace periods. In Ethiopia, the IDA created the Productive Safety Net Program (PSNP) to supply immediate cash rather than less reliable food aid to large portions of the rural Ethiopian poor who suffer from chronic food insecurity. Additionally, the PSNP has built roads and improved the food delivery networks in poor Ethiopian communities to address some of the long-term causes of starvation and food insecurity in rural Ethiopia.¹²

Brussels Programme of Action

The UN System has hosted several international conferences on the problems of the Least Developed Countries (LDC’s), with the most recent conference held in Brussels, Belgium in 2001. As countries around the world met to discuss the problems

⁹ Jorn Madslie, “Debt relief hopes bring out the critics” *BBC News* June 29, 2005.

¹⁰ Press Release ECOSOC/6119 “Brussels Action Plan for Poorest Countries Presents Key for Unlocking ‘Prison of Poverty,’ Economic and Social Council Told” June 29, 2004 p. 3.

¹¹ <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21206704~menuPK:83991~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

¹² For more information on this and other IDA projects, please see:

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21395349~menuPK:3266877~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

that the LDC's often face, including the "poverty trap" that often prevents the LDC's and impoverished communities from overcoming the obstacles that chronic poverty impose. Addressing the Economic Social Council (ECOSOC) in 2004 regarding the Brussels Conference on the LDC's of 2001, the High Representative of the Secretary-General for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States, Anwarul K. Chowdhury, noted that the LDC's, by virtue of being "caught in a 'poverty trap,'" had witnessed how "slow growth and low income limit domestic savings, which had, in turn limited increases in investment and economic growth."¹³ During the ECOSOC Substantive Session of 2004, delegates from many countries articulated widely ranging views about the best ways to address the needs of the LDC's; during these discussions, key differences between highly developed wealthier countries and the LDC's frequently emerged.

Foreign ministers and associated high-level representatives from many countries participated in these discussions; delegates should strive to find their own countries' comments on this issue. Tom Kitt, Minister of State for Development Cooperation and Human Rights of Ireland, speaking on behalf of the European Union (EU), noted that "if current trends persisted, the number of people living in extreme poverty [less than \$1 USD per day] in the LDC's would increase from 334 million in 2000 to 471 million in 2015."¹⁴ Immanuel Ngatjizeko, Director-General of the National Planning Commission of Namibia, argued that "resource shortfall was the major impediment to the implementation of the Brussels plan."¹⁵ Magaji Mohammed, Minister for Industry of Nigeria, asserted that "the LDC's were unlikely to achieve the objectives of the Brussels Programme of Action. Among the factors that hindered its implementation were steady decline of foreign direct investment, the debilitating effect of external debt, the shrinking ODA resources, and, lately, the economic impact of HIV/AIDS. The LDC's had a duty to assume responsibility for those matters that they could control, such as good governance, equitable distribution of national resources and transparency in the use of public funds. Given the scope of the challenges facing developing countries in Africa and elsewhere, however, the need for genuine partnerships between the LDC's and the affluent nations could not be overemphasized."¹⁶ These varied priorities are not necessarily indicators of true deep-seated conflicts about the needs of the LDC's, although such conflicts do exist, but rather primarily reflect the different experiences of the highly developed, developing, and Least Developed Countries.

The Least Developed Countries (LDC's) of the world often face considerable economic volatility because their economies are quite frequently dependent on the sale of commodities. Commodities-related uncertainties are of particular concern for the LDC's because some developing countries, especially those rich in oil and natural gas deposits, are enjoying record revenues while LDC's that are heavily dependent on agricultural commodities are facing increasing global competition. One key recommendation made

¹³ Anwarul K. Chowdhury, Press Release ECOSOC/6119 "Brussels Action Plan for Poorest Countries Presents Key for Unlocking 'Prison of Poverty,' Economic and Social Council Told" June 29, 2004 p. 1.

¹⁴ Tom Kitt, Press Release ECOSOC/6119 June 29, 2004 p. 7.

¹⁵ Immanuel Ngatjizeko, Press Release ECOSOC/6119 June 29, 2004 p. 8.

¹⁶ Magaji Mohammed, Press Release ECOSOC/6119 June 29, 2004 pp. 16-17.

by many countries and articulated in ECOSOC debates includes extending access to the Commodity Hedge Instrument of the World Bank Group to all borrowers. ECOSOC delegates also noted that “since least developed country diversification into non-farm activities is crucial, urgent measures should be taken to promote small- and medium-sized enterprises, particularly those engaged in agricultural processing and labor-intensive activities.”¹⁷

Scaling Up to meet the needs of the LDC’s

Contemporary development models focus on the need to begin with smaller, community and human-centered development projects, rather than the previous focus on larger projects such as hydroelectric dams. As the UNDP and UNFPA combine their efforts through the UN Capital Development Fund (UNCDF), they can reorient development projects towards the community level. Furthermore, the UNCDF incorporates local governments and communities in development programs designed to maximize their impact at the local level and that are intended to be replicated and scaled up. “Its [UNCDF’s] effectiveness derives from its small-scale, grant-funded capital investment mandate, its strong technical expertise, and a proven approach – its signature Local Development Programme (LDP).”¹⁸ The UNCDF’s approach, exemplified by the LDP, offers significant promise “in terms of sustainability and multi-sector coordination”¹⁹ over the community and village development as well as national government-directed approaches. While the LDP approach is promising and has been delivering some positive early results, its relatively low levels of capitalization may limit its overall effectiveness. According to its latest report, the UNCDF plans to expand the LDP program to 40 LDC’s and increase the average investment to \$5 million USD per project by 2010.²⁰ These development projects, particularly as they scale up, will offer significant, sustained support for millions of people in poor rural communities in many of the LDC’s. While these levels of assistance are vital, it is absolutely crucial that national governments and civil society representatives, including business organizations and multinational corporations (MNC’s), bolster these programs through their own sustainable assistance to the LDC’s.

Escaping the Poverty Trap

As the governments and citizens of the LDC’s struggle to overcome the profound poverty and deprivation that they frequently face, they often confront the cruel cycle of the poverty trap. When incomes are very low and citizens and governments must spend all they earn to meet even basic needs, no income is left for savings and long-term investments. If this precarious situation was not already quite harsh, as the economist Jeffrey Sachs has noted, “depreciation and population growth continues relentlessly. The

¹⁷ ECOSOC, “Report by the Secretary-General: 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” E/2004/54 April 23, 2004 p. 10.

¹⁸ Executive Board of UNDP and UNFPA, “UNCDF business plan 2005-2007” p. 6.

¹⁹ Executive Board of UNDP and UNFPA, “UNCDF business plan for 2005-2007” p. 7.

²⁰ Executive Board of UNDP and UNFPA, “UNCDF business plan for 2005-2007” p. 10.

result is a fall in capital per person and a negative growth rate of per capita income.”²¹ To overcome this vicious poverty trap, many economists and political leaders have called for increases in Official Development Assistance (ODA), government-provided foreign aid. Sachs argues that ODA “helps to jump-start the process of capital accumulation, economic growth, and rising household incomes.” Furthermore, “if the foreign assistance is substantial enough, and lasts long enough, the capital stock rises sufficiently to lift households above subsistence.”²² Developing countries have requested for many years that the wealthiest highly developed countries devote 0.7% of Gross Domestic Product (GDP) to Official Development Assistance (ODA). At the International Conference on Financing for Development in Monterrey Mexico in 2002, the wealthiest highly developed countries reaffirmed their commitment to meet this goal of 0.7% of GDP given as ODA but very few highly developed countries approach or exceed that target. In recent years, the trend has primarily been towards less ODA and more Foreign Direct Investment (FDI), but as was discussed above, FDI is very highly targeted towards the most profitable sectors and industries within primarily middle-income developing countries and very little FDI is targeted for the Least Developed Countries (LDC’s). Referring to the Secretary-General’s 2004 report on resource mobilization and the implementation of the Brussels Programme of Action for the LDC’s, “the report recommends that the international community should...urge donor countries to increase ODA flows to LDC’s to the level of 0.2 per cent of their gross national product (GNP) and emphasize that ODA to all LDC’s be given in the form of grants and call on donors to harmonize ODA with national development strategies and priorities.”²³ Encouraging the most highly developed countries to provide greater amounts of ODA to the LDC’s of the world would offer significant hope to the citizens of the LDC’s but it is very clear that the governments and international financial institutions (IFI’s) that provide this assistance will demand greater overall accountability and transparency.

As foreign aid has at times been squandered or diverted to enrich particular politicians, businessmen, and military leaders, donor countries have increasingly been calling for greater accountability and transparency on the part of the governments of the recipient countries. Many domestic and international NGO’s also demand greater accountability and transparency on the part of their governments as well as the businesses and other entities who ultimately spend those funds. Within the UN System and related agencies such as the IMF and the World Bank Group, accountability and transparency are veritable contemporary buzzwords. The well-known NGO, Transparency International, releases a widely anticipated annual survey about perceptions of corruption in over 170 countries and most LDC’s can be found at or near the bottom of the countries surveyed, meaning that corruption is perceived to be pervasive and widespread in those societies.²⁴ While donor countries may publicly acknowledge a need for higher levels of ODA

²¹ Jeffrey D. Sachs, *The End of Poverty: Economic Possibilities for Our Time* Penguin Press New York 2005 p. 246.

²² Jeffrey D. Sachs, *The End of Poverty* p. 246.

²³ Press Release ECOSOC/6119 June 29, 2004 p 3.

Delegates may also wish to examine ECOSOC document E/2004/54 for the full report.

²⁴ Transparency International, “Corruption Perceptions Index 2007”

The full table may be viewed at: http://www.transparency.org/policy_research/surveys_indices/cpi/2007

directed to the LDC's, significant increases in the flow of ODA to LDC's is unlikely to occur without more concerted efforts by many LDC's to reduce and/or eliminate at least the most naked and obvious forms of corruption.

The importance of ODA notwithstanding, the most significant and sustained form of foreign aid may well be remittances, the monies that immigrants and migrant workers send back to their relatives in their home countries. In 2006, migrants sent an estimated \$300 billion to their home families in over 160 countries; in Guinea-Bissau, Eritrea, and Tajikistan, remittances amounted to approximately 49%, 37%, and 36%, respectively.²⁵ Remittances will continue to comprise a vital component of escaping the poverty trap in many LDC's. One critical step that the international community could take to increase the volume and impact of remittances is to seek to reduce transaction costs so that even more of the money is used for poverty reduction sustainable development endeavors.²⁶ Formal channels for transmitting remittances frequently charge higher transaction costs than informal channels such as *hawala* in the Muslim world and "often lack the reach to rural areas of the countries of origin that informal systems have."²⁷ The vital financial system known as microfinance may also serve as a key link to the rural areas of the LDC's as well as enhancing the abilities of many LDC's to make essential progress in meeting their Millennium Development Goal (MDG) targets.

Microfinance

Traditional banks and lending institutions have frequently excluded the poor from receiving loans and access to needed credit, often citing concerns about a lack of collateral and a perceived inability to repay any debts incurred. There is considerable empirical evidence that refutes the argument about the poor defaulting on loans at higher rates than middle class or wealthy people but their income and resource deprivation do preclude them from obtaining larger loans because of the aforementioned lack of collateral. An effective technique for extending credit to the poor is then to grant microcredits and smaller loans, especially to women.²⁸ In countries ranging from Bangladesh to Bolivia, microfinance initiatives have provided much needed capital to create and establish businesses and cooperatives. Jeffrey Sachs argues that the arguments against lending to the poor are directly refuted by microfinance initiatives such as those established by the Grameen Bank and the Bangladeshi Rural Advancement Committee (BRAC). Sachs writes that "group lending changed the repayment dynamics: default rates are extremely low and BRAC and Grameen have figured out how to keep other transaction costs to a minimum as well."²⁹ The Grameen Bank in Bangladesh, the most famous microfinance institution in the world, has been so successful and represents such a dynamic model of development in Bangladesh and around the world that Mohammed Yunus, its founder, received the Nobel Peace Prize for his efforts at poverty reduction and the empowerment of women.

²⁵ *The Economist*, "Cash back" October 23, 2007.

²⁶ A/RES/60/206 March 16, 2006.

²⁷ ECOSOC, E/2004/54 p. 11.

²⁸ A/RES/61/214 December 20, 2006.

²⁹ Jeffrey D. Sachs, *The End of Poverty* p. 13.

Conclusion

Meeting the needs of the Least Developed Countries (LDC's) is a daunting task. At times, the myriad, multifaceted, and interrelated problems plaguing the LDC's can seem insurmountable. Progress is being made, however, in addressing a number of the needs of the LDC's and the delegates of the General Assembly Second Committee have an extremely important opportunity to improve the focus on meeting the needs of the LDC's. By viewing the peoples of the LDC's as equal and vital partners in the quest for development, the General Assembly Second Committee and the international community at large can realize huge benefits for the LDC's and the world.

Guiding Questions

How does your country rank in terms of human development? How is your country doing in terms of achieving its Millennium Development Goal (MDG) commitments?

Is your country a recipient of ODA, FDI, and/or World Bank and other international financial institution (IFI) assistance? If so, has your country had to implement structural adjustment programs (SAP's)?

How might national governments, international organizations, NGO's, and civil society representatives forge a more profound and effective multilateral development partnership to help the LDC's of the world meet their MDG commitments?

How can governments, international organizations, and interested donors increase the overall stock of capital available for microfinance initiatives in the LDC's? How can the international community lower overall transaction costs for workers' remittances to their countries of origin?