THE BROOKINGS INSTITUTION

GLOBAL COOPERATION AND THE LEAST DEVELOPED COUNTRIES

Washington, D.C.
Tuesday, February 22, 2011

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PROCEEDINGS

MR. KIMENYI: Thank you very much. My name is Mwangi Kimenyi. I'm a senior fellow and director of the African Growth Initiative. I would like to welcome you to the Brookings Institution and to thank you for braving the weather. Ordinarily, in New England where I came from this would not be considered a bad weather day but in Washington we are awarded when you get even an inch of snow.

But thank you very much. We have a very distinguished panel of speakers today and a very important topic. As you may know, the fourth U.N. Conference on the Least Developed Countries will be held in May in Istanbul, Turkey. And this conference on the Least Developed Countries is concerned about the many challenges facing these countries. There are 49 of them and one of the reasons why us at the African Growth Initiative are very interested in this forum is that thirty three of those are from sub-Saharan Africa. So when we talk about the Least Developed Countries, in a way that's talk about sub-Saharan African countries. Actually, if you remove the countries going through the revolution in the north you find that most of sub-Saharan African is actually part of these countries that we are talking about.

But the story or the concern about these Least Developed Countries is not -- we don't have a very good story to tell. The first conference was held in 1981 and since then only two countries have actually graduated from that category of countries. We economists tend to think about this being trapped, the poverty traps. And it looks like these countries have not been able to break away. There has been progress but generally they still remain very limited progress. And this forum then is part of consultations leading to the conference that will be held in May. One of these conferences -- one of these forums have already -- has already taken place in Brussels. There will be another one in Japan and another one in Korea.

So today the forum provides an opportunity for us to discuss progress made so far and how developed countries, and especially the United States since we are here, can contribute to the realization of the development aspirations of this group of countries. The preparations and important input therefore into for the U.N. conference. So we would like to get as much information from these and commands on how we move to the fourth -- to the conference in Istanbul.

At this point I would like also to say that our vice president, Kemal Dervis, who is obviously quite involved in this conference, would have liked very much to be a participant here but he is away and he sent his wishes to the participants. Brookings and the African Growth Initiative is pleased to collaborate with the Center of concern and, you know, and I think this conference.

Now, where we proceed is I'll introduce all the participants and then they will have about seven minutes each to comment, just to give the highlights, and then we will open this to the floor for your contributions and comments and questions.

I'd like to briefly introduce the first speaker, Mr. Cheick Sidi Diarra, who is the U.N. Secretary General and Special Advisor on Africa, and highly presented for the Least Developed Countries, landlocked developing countries, and small island developing states. I can imagine that if you had a presenter for all these countries I think all what you see is a lot of problems there. So, but it's good to have you and we look forward to listening to you.

Next, will be Arjun Karki. Dr. Arjun Karki who is the executive director of LDC Watch, which is a civil society organization and he will be the next to comment.

Then we are very pleased to have Steve Radelet, who is the chief economist for the U.S. Agency for International Development. He has been senior advisor for development for the Secretary of State and not long before was actually one of our colleagues across the street as a senior fellow at the Center for Global Development.

Finally, we have our own Laurence Chandy, who is a fellow in the Global Economy and Development Program, and he focuses his research on developing countries and aid effectiveness.

So we have a very distinguished panel. And what we'll do now is ask Mr. Diarra to start with the comments from the chair and then we'll go on to Dr. Karki and so on. And then we'll open to questions.

Thank you very much. Welcome.

MR. DIARRA: Thank you very much, Mr. Kimenyi for this introduction.

Distinguished participants, ladies and gentlemen, it gives me great pleasure to engage with so many thinkers at one of the oldest and most respected think tanks in the United States. Firstly, I would like to thank Africa Growth Initiative at the Brookings Institution, Interaction and Center for Concern -- Center of Concern for co-organizing this timely event. This event provides us an opportunity to further explore the impact of the global policies on the fate of the poorest countries of the international community. It also gives me an opportunity to extend my sincere appreciation to all of you for challenging the weather and being here today. I'm sure that the LDC agent would be enriched by your contribution to the discussions.

Mr. Kimenyi mentioned Kemal Dervis, one of the vice presidents of the Brookings Institution. Kemal Dervis happens to be one of the imminent persons that have been appointed by the secretary general of the United Nations to be part of eight others of his peers, including Mr. Wolfensohn to contribute not only substantively to the preparation of the fourth United Nations Conference on the Least Developed Countries that will take place in Istanbul from the 9th through the 13th of May this year, but also they contribute with the data (inaudible) to the overall advocacy at the global level in support of this conference.

Allow me, this has been said, to briefly provide you a state for this discussion this morning. The Least Developed Countries is a United Nations defined category of low-income countries, all of which face subverse structural constraint to economic growth and development. The group that was 49 until last December, one new country has graduated, which is Valdez, is currently 48. Thirty-three members of the group are in Africa, one is Haiti, and 14 more are in Asia and the Pacific region, including five small islands of the Pacific region. And they represent the world's poorest nations. Many of these countries rank among the lowest on the human development index. Chronic poverty, troubling maternal and child mortality rates, and staggering unemployment of the youth particularly figures are just some of the silent futures of this group of countries.

But this having been said, I should at the same time mention that the picture is not entirely gloomy. Over the last past 10 years we have witnessed some encouraging improvement among the Least Developed Countries in part due to their own effort but also as a result of the concerted assistance from the development partners. In the international context of development aid, the United States continues to play a pivotal role in support of the Least Developed Countries and has demonstrated its commitment politically and in concrete terms. At the United Nations MDG Summit last September, President Barack Obama reaffirmed and increased the assistance of the United States to the Least Developed Countries. In addition, the United States has on several occasions articulated its full support to the Least Developed Countries as a critical part of the United Nations' overall development agenda. It is noteworthy that in 2009 the United States disbursed 8.1 billion USD in official development assistance to the Least Developed Countries which represents 22 percent of the total of 37 billion allocated in the form of ODA by OACD's 23 members.

A number of food insecureLeast Developed Countries have also benefitted. The U.S. food security programs. And just this year the United States announced that it will expand its 3.5 billion Feed the Future program, an initiative that aims to reach out to the global community to reduce poverty and hunger.

On the economic front, the United States has expanded the scope of its generalized system of preferences to reach developed countries since 1997 and has also carried out a duty-free, quota-free preferential treatment to several LDCs. At the same time, the African Growth and Opportunity Act known under the acronym of AGOA has contributed to enhanced trade with sub-Saharan Africa. AGOA has not only expanded U.S. trade and investment with sub-Saharan African but has also stimulated regional economic growth and has effectively helped to facilitate the region's integration into the global economy. Trade under AGOA totaled 33.1 billion USD in 2010, a 57 percent increase from the same period in 2009. The United Nations is also encouraged by the current administration's recent pledge to seek four billion USD contribution to the global fund to fight HIV/AIDS, tuberculosis, and malaria from 2011 to 2013.

Ladies and gentlemen, with this continued commitment from the United States and deepening partnership with other development partners, the Least Developed Countries themselves have undertaken significant policy steps towards strengthening the national economies and mobilizing domestic financial resources for development. An increasing number of Least Developed Countries embrace good governance and across the group of 48 countries elections are the norm rather than the exception. Indeed, these are encouraging signs of progress which should be built upon, but this should not mask the reality. Relatively low human capital coupled with severe productive capacity constraint often leaves this country in an extreme weak and vulnerable state. They are particularly susceptible to internal as well as external shocks. Whether be it political uncertainties or recent financial crisis, what happens on Wall Street is invariably felt in Kabul, Lilongwe, and Dhaka, Bangladesh. In very real terms, the 2008-2009 crisis has meant that many of these countries have now to confront a decline in ODA, official development assistance, and foreign direct investment and a dramatic reduction of foreign earnings for these countries as a result of commodity prices volatility.

The impact of this far reaching and enduing as much as of assistance was channeled to much needed social economic programs in these countries. During the last decade debt relief from the HIPC initiatives since 2005 and the Multilateral Debt Relief Initiative have been effective in reducing the debt burden of LDCs. As of July 2010, 23 Least Developed Countries are post-completion point countries out of 31 eligible to benefit the HIPC or MDRI.

A recent bilateral debt write-off and debt buyback operation have been also very important. Nevertheless, as of late 2010, 20 Least Developed Countries were in the situation of debt distress or high risk or debt distress and five of them are non-HIPC. The financial crisis and debt incurred to write over the crisis has caused debt burden to rise. There is now a very real threat of reversal in some of the gain already achieved.

Ladies and gentlemen, we now find ourselves on the eve of the fourth United Nations Conference on the Least Developed Countries. Since 1971, the world has gathered at three such global meetings as it has been mentioned to discuss the most effective ways to assisting the poorest among us.

There have been gains but ultimately there remains much to be done for improvement. Since the Third United Nations' Conference held in 2001, just three countries have graduated from the category -- Botswana, Cape Verde and Maldives in 2011. Ten years have passed since the third conference that we had in Brussels and in that time the world has changed considerably. New and emerging challenges are felt not only by the Least Developed Countries but ripple across the ground. As a result of prevailing economic circumstances, many traditional donors are reluctant to recommit themselves to the new program, a faction to be adopted in Istanbul next May. Indeed, the recent recession has meant that many of us have to revaluate our priorities but I believe that it remains critical that development partners honor the commitments to the LDCs to provide 0.15 to 0.20 percent of their gross national income to official development assistance to LDCs.

On top of this, I believe that there is much callfor leading economies like the United States to further explore proposal and initiatives on alternative sources of financing for development. One such idea has gained traction is the Robin Hood tax which advocates for international currency transaction levy which at five percent per thousand USD could raise between 20 and 25 billion USD per annum for the Least Developed Countries.

Besides the traditional development program that focuses on assistance to LDCs, I would urge donors towards a greater shift of extending trade preferences and global market access to LDCs. All development partners should accord full duty-free and quota-free market access to all products from the

Least Developed Countries. Needless to say, this should be stable and predictable. It is widely recognized that special treatment and preferential access should be extended to all sectors of export from the Least Developed Countries. The E.U. has drawn attention to aid for trade scheme for the Least Developed Countries and it is therefore advisable to scale up such a strategy to ensure support to trade-related infrastructure and building of export supply capacity.

In a nutshell, the Least Developed Countries themselves have appealed to development partners for tangible assistance in the following priority areas: Productive capacity development, infrastructure and energy development, support to agriculture, information communication technology transfer, as well as assistance with their adaptation to climate change. These priority areas will be the focus of the upcoming Fourth United Nations Conference to be held in Istanbul. The conference will provide a unique and inclusive platform for government, parliamentarians, the private sector, civil society, and international organizations from around the world to negotiate and explore the full potential of partnerships for meaningful development and prosperity in the world's poorest countries. I should also highlight that a special intellectual forum dedicated to academics, policymakers, and thinkers will also feature as a key element of the civil society track in Istanbul. And I would like to extend an invitation to you all to participate in the conference.

I look forward to listening to your ideas so that Istanbul's outcome brings us a step closer to the global prosperity for all. I thank you for your kind attention.

(Applause.)

MR. KIMENYI: Thank you. Thank you very much. Thank you very much. I go now to Doctor. Seven minutes.

DR. KARKI: Thank you very much. Mr. Chairman, Excellencies, colleagues, ladies and gentlemen, first and foremost I would like to thank the African Initiative at Brookings, Interaction and Center of Concern for organizing this very important event pertaining to the LDCs. That 48 most poorest and vulnerable block of countries in terms of today's development challenge and I would like to call it development emergency. Moreover, this discussion is most timely considering the soon approaching Fourth U.N. Conference on Least Developed Countries, scheduled on 9 to 13 May 2011 in Istanbul, Turkey.

The LDC4 in May is another historical opportunity for us all to adopt a new program of excellence for LDC. (inaudible). And we do. We see a collective challenge. How do we make this conference different both qualitatively and quantitatively from the last conference? In fact, all past three conferences. How do we succeed in witnessing a decade of reversing the growth in number of LDCs from 48 with at least half of the number of LDCs graduating in the next decade.

Ladies and gentlemen, LDC is already plagued by geographical and environmental constraints that exacerbate both poverty and vulnerability. Endemic in LDC they are further being severely impacted by crises they have had no role in creating. Crises of the financial system, food prices, energy, the climate system. These crises have intensified. A situation of conflict, violence, political instability, and human right violence. These are the characteristics of most LDCs. The world has changed and so must the approaches that we use to address the challenges faced by LDCs. This is only possible with a genuine partnership between the LDC and the strategic development partner and court, and clearly defined result-oriented support measures and mechanisms for the common decay.

We must aim to close the gaps, to achieve international convergence and to give hope to more than 850 million people living in the LDCs. And for this we need bold and decisive political leadership from the LDCs and the rest of the international community to come up with a new and MBC/LDC in Istanbul. Ladies and gentlemen, the new alternative development pathway for the LDC must be the pathway from the business as usual approach. (inaudible).

Debt cancellation. LDCs are in perpetual debt crisis. Spending, 6.03 billion every year on debts (inaudible) which is exacerbated by factors beyond their control. Many LDCs spend more money on debt (inaudible) than on essential services like health care, drinking water, and energy. This therefore calls for total, immediate, and unconditional cancellation of multilateral and bilateral LDC debt. The resources that mobilize going instead for provision of essential services and social protection to LDC citizens.

The other issue is the food crisis. One-sixth of the world's population, most of them in LDCs, suffer from chronic hunger, which is a humanitarian crisis on a daily basis. One leading principle, a principle? that is being advocated by these small farmers, movement in LDC can effectively address this humanitarian problem. Food sovereignty focuses on food for people. Values, food providers, localized food system (inaudible) locally, build locally skill and knowledge, and preserve nature with every econological production. (inaudible) including comprehensive (inaudible) reform. Support services for agriculture food production and many speculation on stable food. The break of ()food? cartel and most importantly delivering on the climate change commitment to reduce the risk of environmental degradation are imperative to reduce the food crisis in LDCs.

Another issue I would like to highlight is trade. LDCs suffer the brunt of the impact of unfair trade agreements in their dominant free market paradigm. Despite commitment to provide duty-free and quota-free market excess for LDCs, they are still living on LDC export, such as textiles and agriculture productMoreover, the issues of non-tariff barriers (inaudible) requirements further hamper market excess for LDC export. LDC (inaudible) definitely need pure trade? as an engine of growth.

The other issue I would like to highlight is MDG. Between MDG and LDC is a global responsibility bound by genuine shared commitment. Clearly, many of the goals and targets are (inaudible) declaration will not be attributing LDC by 2015. We are therefore exploding the campaign: no MDG without LDC, focusing on mobilizing the political wheel of the stakeholders and LDCs are often the product (inaudible). LDC4 conference must support the development of mechanisms for a predictable and sure flow of development assistance for LDC that is grounded in evidence, transparency, and results.

We must also make provisions for financial transaction tax which is explained by Ambassador Diarra earlier. It could level tax on fossil fuel and greenhouse gas emissions and to tax diversion, avoidance, and capital flight. (inaudible) and reinforce the principle of development effectiveness. To be truly effective the principle of country ownership, predictability, transparency, and accountability are key as well as the responsibility to meeting the commitment of 0.20 percent of GNI to LDCs.

Crisis mitigation is (inaudible). Crisis response (inaudible) especially for the LDC must be a priority. Commitment in the form of grants, not loans. In the past two years we saw how the U.S. and European governments moved billions of dollars in rescue packages for private banks and corporations. The LDC suffered this proportionately from economic and econological (inaudible). That includes natural disasters, economic downturn, fluctuation in price of food and energy, and conflict, which are most invariably guarded growth deceleration. The special mechanism for mitigating (inaudible) is critical for protecting development gain while building the resilience to withstanding future stocks and crises.

Many LDCs are being devastated by the impact of climate change without immediate action to reduce greenhouse gas emissions. These impacts tend to reverse any development gain over the past 50 years and cause suffering on a massive scale. Look at additional and equitable climate finance is imperative as part of the historic responsibility of developed nation for greenhouse gas emission that have caused climate change and to which LDC are no party. The new green climate fundmust include dedicated funding for representation? in the LDC. Assistance is also urgently required. LDC to be able to protect their people and then (inaudible), and to adapt to climate change. A dedicated mechanism must be agreed in Istanbul that would kick start the immediate implementation of a standard program of excellence drawing on the momentum of LDC4. A global campaign on LDCs that has been missing until now is the need for the hour. This campaign should be multifaceted in terms of LDCs especially because (inaudible), capacity building, results, and will show generation that will contribute to a sustainable focus and attention to us (inaudible) development in LDC.

Ladies and gentlemen, in conclusion, the new LDC program (inaudible) and updated in Istanbul must articulate a radical new complete agenda aiming to watch the graduation of at least half of the current number of LDCs. This decade must indeed be different marking a decrease in the number of LDCS, thus erasing our past failures and advancing towards the new vision of old without LDC. In this context we commend the active role of the U.S. in the current intergovernmental negotiations with (inaudible). The outcome of LDC4. We ask the U.S. to further demonstrate its leadership in the global partnership for development by defending the interests of the most vulnerable and marginalize group of countries under development rather today. We are part of political leadership, upholding human security and human dignity for all, placing people at the center of development. 2011 marks the 25th anniversary of Right to Development and we would like to see LDC4 pave the concrete part to development for the LDC.

As we are mobilizing political participation of all stakeholders to watch LDC4 on behalf of LDC civil society steering committee I would also like to request you and your networks and allies to join us in Istanbul in support and solidarity for the LDC.

Thank you very much.

(Applause.)

MR. KIMENYI: Thank you very much. Steve Radelet, please.

MR. RADELET: Good morning. Thanks to everyone for being here this morning. I'm really happy to be here with you today to talk about the issues on LDCs.

More broadly than LDCs in development more generally, this is a really important time of change for the United States. Starting last year we implemented -- began to implement a number of changes which are really in fundamental ways changing how we're approaching developing countries around the world. Most importantly, in September, as many of you know, President Obama issued the first presidential policy directive on development. This is the first time in the history of the United States that a president has issued a formal policy on development to say why is it in the interest of the United States to engage with developing countries, how we're going to do it, and how we can do it better. It's never happened before.

Following that, of course the president appeared at the MDG Summit, which I think is a pretty loud statement as to the importance of developing countries for the president himself. In December, Secretary Clinton released the first quadrennial development and diplomacy review, a rather awkwardly named as only government bureaucrats could name something. The QDDR. But again, even with its awkward name a pretty important step forward where for over a year the State Department and USAID engaged in a very deep review of what we do and how we do it and how we can do better. Again, had never been done before. And we refer to it as the quadrennial development and diplomacy review with the idea that this will be the first of many that will happen every four years with each administration.

So, there's been a lot of deep thinking about how we can engage and how we can do things quite differently. At USAID we've taken this forward with a new set of reforms called USAID Forward, which are quite fundamental and deep reforms about how we are trying to be more effective in our work in developing countries.

Throughout all of this it's become very clear and it's now a matter of policy that at the presidential level that the U.S. believes that development of the poorest countries around the world is not just important but is a moral and strategic and economic imperative to the United States that's now embedded in policy. So there's a number of things that I think I just want to highlight quickly in terms of what this means in practice. First, we have a commitment to better focus our resources both across countries and within countries instead of spreading ourselves too thin across to many countries where a lot of our investments aren't doing particularly well but also within countries where we tend to do too many things and one part of the United States government doesn't always know what the other part of the United States government is doing. So we're much more committed to focusing our investments and working together within the interagency in a much better way. We're focusing more on economic growth, broad-based, sustainable economic growth as we know that broad-based growth is the key engine for reducing poverty over time. These are manifesting themselves in the programs that were mentioned earlier. Mostly particularly, Feed the Future, our new food security program, where the president has pledged $3.5 billion over three years as a start to really refocus on food security in agricultural and nutrition investments. I just got back from Tanzania and Ghana where as part of a group involving OPEC, USAID, the State Department, and the Millennium Challenge Corporation and others where we are working together to design an investment project under the strategies that the countries themselves have laid out and a strong participatory process that we are working to invest in their programs to really jumpstart agricultural development and nutrition to enhance food security. So we're actually not just talking about this, we are doing it already.

In addition to the focused investments in these areas, we're really changing our approach in how we engage. Not just what we do but how we do it. And most important, a strong thread through the president's policy directive and to the QDDR is our partnership and really working closely with our partners in governments and outside of governments and the countries with whom we work, partners with other donors, but most importantly working in a much closer relationship with the people and the governments of our partner countries. And again, we're not just talking about this but we're doing this in our health initiative and our food security initiative and other places where instead of coming in and deciding what we're going to do, we ask what the highest priorities will be. I'm sending a team back out to Tanzania and Ghana next week which will work as half of a team along with technical people from the Tanzania government team and the Ghanaian team to work on jointly coming up with a strategy for how we can better invest in economic growth to support broad based growth. We haven't in the past sent our teams in to work jointly with government teams so it's a whole new way of engaging with our countries -- with the countries that we work with.

Related to the partnership we have a strong new commitment to transparency. We've talked a lot about it in the past but again this is not just talk, we're doing it. In December we put up a new website called foreignassistance.gov which is our aid dashboard. And for the first time you can go to one place and a really nice website and you can see the funding that has been committed and delivered over the last five years to every country that the United States has worked with. You can find the State Department and USAID funding is already up there for the last five years. It's there now in one place. People have complained for years. I used to complain when I was outside of government. It's impossible to get the data but now it is possible to get at least some of the data. It's a first step. It's a great website. Take a look at it. You can download lots of data over five years for lots of countries. We're going to add to it with data from the Millennium Challenge Corporation and other U.S. government programs and over time we're going to add new commitments, contracts, and statements about what we're going to do going forward. So we have a new commitment to transparency. And again, not just talk but actual action where you can see what we're doing.

We have a new, stronger -- much stronger commitment to embedding issues around women and girls in all of our programs starting obviously with the president's commitment, Secretary Clinton's commitment, Administrator Shaw's commitment, and everyone else. And we're not just talking about this as a separate silo for something on women and development or new programs that are specifically geared -- that are siloed and separate from what we're doing but rather deeply embedding issues of focus on women and girls in our agricultural programs, in our nutrition programs, in our health programs, and really recognizing and driving the issue that providing new opportunities for women and girls is central to accelerating growth and poverty reduction. So we're putting that into action now.

And we're also, instead of talking about results, actually doing more and more on improving our focus on mutual accountability and driving what we do, not just about the money we deliver but the results that are delivered from this. So USAID just last week, or two weeks ago, issued a new evaluation policy. That sounds pretty boring but it's actually worth the read. It's only about 10 pages long and it is a very clear statement of policy about how we will evaluate programs under different circumstances and the different techniques that we will use to get a much better handle on what we are achieving and holding ourselves more accountable for achieving results. So it's really a new day and there's a lot of new energy over at USAID and at the State Department more broadly in terms of how we delivery assistance.

You will also see that we have strongly embraced the Eight Effectiveness Principles as laid out first as the Paris Principles and then in the Accra Agenda for Action. Instead of just kind of lukewarm saying yes we agree, they are central to the QDDR. They are stated there in terms of a new commitment to these Eight Effectiveness Principles. And believe me, I was in the midst of writing that chapter. It would have been very easy for people to just say, nah, we're just going to kind of not mention that stuff because we don't have to. But it wasn't that at all. It was absolutely. We are embracing these principles as the best way that we can make our aid programs more effective.

But beyond aid we're also taking measures to support other things. There's been lots of talk about trade but also I want to highlight our newfound new instruments on natural resource flows. We have a strong commitment to the extractive industries transparency initiative which many of you are familiar with and working with countries to build their capacity to better manage and report on the flows that they receive from natural resource investments. But it's not just what the recipient countries themselves do. We are commitment as a country where a lot of these flow stem from. And so we've recently passed -- Congress has recently passed legislation, the Frank-Dodd Bill, which is a path breaking new set of legislation which will require companies registered with the SEC to disclose payments related to natural resources. This is a huge step forward and we are encouraging other countries to follow this example, to be much more transparent about natural resource flow.

So there's a lot of good things happening. With respect to the LDCs, as we work towards the LDC4 conference in May, our approach will continue to be guided by these commitments and the broader commitments that we made in September 2010 MDG high level meeting and the 2008 Doha, declaration and financing for development, and in 2002 Monterey conference. So we've got a big set of commitments that we are absolutely committed to and really following through and making sure that those are fully implemented as our starting point.

In terms of our foreign assistance to the LDCs, as was mentioned in 2009, funding had gone up to over $8 billion but our preliminary figures for 2010 -- these are preliminary -- it appears that it will be close to 11 billion. This is in comparison to 2006 when it was four billion. So we've gone from four billion to nearly 11 billion in four years. That's an increase of two and a half times in just four years. So there is a significant increase in funding for these countries. And it preliminarily looks like there's increases in almost all of the countries. There's bigger increases in some, smaller increases in others. But by a preliminary look it looked like there were increases over this time in all but five of the LDCs. So it's pretty widely spread and more than doubling in just four years.

The administration is committed in doing what it can to further increase that funding. We have our requests for 2011 and 2012 and despite the very difficult budget climate, the president has requested further increases in foreign assistance broadly and for the LDCs as well. You know as much as I do about where that will ultimately go forward. We're in negotiations with Congress but the fact that the president has continued to ask for increases in this area while other places are being cut, shows his commitment and the administration's commitment more generally to trying to protect these funds and trying to get some increases despite the austerity that we face more broadly.

Four, the LDCs. The story over the last few years is mixed but more positive than it has been in the past as we heard more recently. It's true that a lot -- most of the LDCs, a lot of them will not achieve the MDGs. Part of that, however, is because of the difficulties during the 1990s because the benchmark for the MDGs was in 1990 and the 1990s were a difficult time for many of these countries. The good news is that in the last decade many countries have begun to turn around and at least over the last 10 years on a pace that's more consistent with achieving the MDGs had they started in 2000 or 2002.

The growth rates for the LDCs as a whole have been over five percent over the last several years. Per capital basis, over three percent. This is well above the world average growth rate which has been about two percent per capital. Of these countries it's been about three percent per capital. So they're beginning to get economic growth over sustained periods of time. We're beginning to see that show up in poverty reduction in many, not all of the countries. But we're beginning in the last few years to see signs that the growth is spreading and is beginning to pay off. Not only as they are more progress economically, many of the LDCs have become democracies. If you look at the list of the LDCs and think about where they were 20 years ago, very, very few, if any, would have been counted as democracies.

Botswana, which used to be but now has graduated. Other than that, it would have been hard to actually identify a democracy among the LDCs 20, 25 years ago before the end of the Cold War and the end of Apartheid. Now that has changed quite dramatically and many of them -- Tanzania, Malawi, Liberia, and many others are now vibrant democracies. And some of them like Liberia, torn apart by war just a few short years ago and has now dramatically turned things around.

So, and with that democracy, not just elections, we're seeing more transparency, we're seeing more accountability, we're seeing parliaments get more involved. We're seeing a more open press, more human rights being observed in many of the LDCs. But not all of them. In many ways actually politically there's a bit of a split where some countries are moving towards much more accountable and credible governments. Others are being left behind. And so it's a little harder to make generalizations about where those countries are going politically because of the diversity.

I'll give a little plug for a book that I've just written called Emerging Africa, which talks specifically about these kinds of patterns in Africa. Not the LDCs as a whole but in African countries and it really makes the point that to understand trans- and sub-Saharan Africa over the last 15 years you have to recognize big divergences in what is happening both economically and politically.

So one size does not fit all with the LDCs and we have to think very hard on the approaches that I just laid out with USAID where partnership makes sense and where frankly it makes less sense because the real responsibility, the strongest responsibility of course for development lies with the people in the governments of the countries themselves. As outsiders, we have to recognize the limits of what we can do. But we stand ready to support the people and the governments that are ready to move in the right direction and ready to have strong partnerships committed to economic growth and to poverty reduction. Some are likely to be more successful than others but we stand ready to work with those in partnership that are committed to do so.

So we are not just remaining committed to these countries; we have strengthened our commitment both financially in terms of the financing that we provide but also in how we are working in a much more transparent way in a much stronger partnership so that we can hopefully continue to see continued progress in growth, poverty reduction, and development in these countries going forward.

Thank you very much.

MR. KIMENYI: Thank you. Thank you very much. I'll ask Chandy to try to keep within seven minutes so we can have a discussion. So.

MR. RADELET: That's the problem with being last. Everyone else takes 15 minutes, you get stuck with seven.

MR. Chandy: I actually practiced this on my wife yesterday and it's only about seven and a half minutes.

MR. KIMENYI: Oh, you did?

MR. CHANDY: Okay. So I'm going to pick up on some of the things, especially the ones which Steven was talking about.

I think to understand the changing fortunes of Least Developed Countries, it helps to first consider the broader context and the trends that have shaped the global economy over the last decade. That's the decade which the English fondly refer to as the Naughties, which I think is a great name.

There are two major trends as I see it which helped to characterize the last decade, especially for the developing world. The first one is that it's seen an absolutely bumper decade for growth in the developing world. Let me give you some figures for that. For six of the last seven years, the developing world as a whole has grown above six percentage points per year. The last time the developing world as a whole grew more than six percentage points in one year before the last decade was in the 1970s. So it's been a phenomenally strong period of growth for the developing world as a whole. And there's no doubt that that growth is translated into poverty reduction. We don't have official data on it yet but it looks almost certain that this has been a great period for poverty reduction.

I co-wrote a paper last month -- this is my plug -- with my colleague Jeff Gertz, who is in the audience called Poverty in Numbers. Look it up. And we tried to update the official global poverty estimates because there are no official aggregate estimates beyond 2005. And we believe that just from

2005 to 2010 almost half a billion people have been brought out of poverty and this is unprecedented. And it also means that the first millennium development goal (inaudible) target MTG18, half the rates of global poverty from 1990 to 2015 has probably been achieved at some point in the last few years.

Now, behind this phenomenal story of aggregates of, you know, of growth and poverty reduction is, you know, a country's story of divergence. You know, there are countries who are leading this trend, countries who have been carried along, and countries who are being left behind. And this divergence is probably captured best by looking at the changing composition of global poverty today. There are two major trends happening. One, as people are being lifted out of poverty, just focuses on those who remain in poverty. Number one, poverty is increasingly being concentrated in Africa; and number two, poverty is increasingly being concentrated in fragile states.

Here are some figures. In 2005, 28 percent of the global poor lived in Africa. We estimate today that's it's around 45 percent of the global poor. By 2015, on our forecast, we believe it will be around 60 percent. For fragile states, in 2005 around 20 percent of the world's poor lived in fragile states; today it's around 40 percent and by 2014 it will be more than half to the world's poor. So this is my first major trend.

The second major trend is that we've entered this period where there are more crises taking place. We have appeared to have entered (inaudible) this as a more volatile period. We've already heard discussions of the food crisis, the fuel crisis, the financial crisis. And then the mother of all crises looming on the horizon is the climate crisis. This is all just in the last four years or so. And perhaps the interesting thing about these crises is that they don't hit countries indiscriminately. You know, they don't just hit everyone. They hit certain countries, those who are most vulnerable. Those who are most exposed. And so they're really testing developing countries in terms of their capacity to respond to crises, to shelter their economies, and their populations. And this has led to this new focus on this topic of -- on this issue of resilience. How to make countries resilient. Which is really about trying to help countries develop the assets and the institutions to protect themselves.

So those are the two big trends which I see which have shaped these last few years. The question is how does that, you know, how does this relate to Least Developed Countries? Well, the answer is it completely relates to Least Developed Countries because the whole notion of Least Developed Countries is about trying -- it's concerned with these exact issues. Which countries are being left behind? And which ones are most at risk to sharks? That's exactly what the indicators which the U.N. uses to classify Least Developed Countries are concerned with.

So then how are the Least Developed Countries doing? How have they fared in this last decade and how have they -- and how have they managed to reverse these shocks of the last few years? Now, on the growth front there is some positive news and Steve mentioned it. Around a third of the Least Developed Countries -- that's 18 of them I calculated on the weekend -- have managed to sustain growth rates in per capita income of above 3.5

percentage points a year over the last decade. Why the arbitrary level 3.5 percentage points? Well, 3.5 percent it turns out is a magic number because due to the -- the sort of magic of compounds, compound effects, if you maintain growth rates of 3.5 percent in per capita growth for a decade you double your -- you double income levels every 20 years which is a nice proxy for the length of a generation.

So if these countries, these 18 countries, one-third of the Least Developed Countries manage to sustain those rates, then they're going to be going through an incredible transformation over the coming period. So, you know, this is a great story for this one-third of the Least Developed Countries who I'm talking about, the usual suspects. You know, Rwanda, Mozambique, Ethiopia, Bangladesh, Cambodia, Laos. So for those third of the Least Developed Countries, they're doing very well. We're seeing a very similar story inspiring on the poverty side. According to our estimates there are 14 Least Developed Countries who just between 2005 and 2010 reduced their poverty rates by more than 10 percentage points which is, you know, a phenomenal performance. The trouble is that for every one of those 14 countries there's another Least Developed Country whose poverty rates have increased over those five years. So like Steve mentioned, there is this divergence going on within the Least Developed Country group.

For crises, I think the story on crises is quite complicated in terms of how the Least Developed Countries have fared. My -- based on analysis which we've done at Brookings, we believe the Least Developed Countries actually faired fairly well over the financial crisis. Contrary to all expectations, including my own, I wrote a blog piece, a blog post, sorry, a few weeks into the crisis saying, you know, this is going to hit the poorest countries the worst. You know, everyone has to get ready for this. We need a global response.

It turns out I was probably wrong. I mean, there is no doubt that there are some countries who were hit but on the whole the Least Developed Countries fared very well. There's great data to back this up. I won't bore you with the numbers but what I can tell you is that for the better managed Least Developed Countries, those countries who have had improved macro management -- macro economic management over the last few years, these countries are able to put in place quite effective policy responses to crises. We saw Angola draw down on its reserves. We saw Tanzania increase its money supply. We saw a fiscal stimulus, which looked a lot like the one in the U.S. and Uganda. We had a bigger -- big stimulus with spending on agriculture and investment. So on the financial crisis side at least it seems the Least Developed Countries fared fairly well. On the food crisis and the fuel crisis it seems to me that the Least Developed Countries on the whole were very much at the mercy of the markets. So while some did okay, you know, Angola and Sudan probably enjoyed the fuel crisis because of the increased fuel prices and the improved terms of trade, others were absolutely at the mercy of the markets.

So let me just finish with two brief recommendations for what we might do to help Least Developed Countries over the next decade. Both of these ideas are very much focused on this issue of resilience on how we can improve the resilience of Least Developed Countries. Here's my first one. We need to reduce the volatility of aid. It turns out according to my colleague Homi Kharas at Brookings that aid is very volatile and the volatility of aid creates incredibly pernicious effects on recipients. I'm not talking here about the concerns in the U.S. here about, you know, the budget squeeze and how that affects aid). I'm talking about fickle programming positions where one year you decide to give aid to a country, the next year you withdraw it, the next year it comes back. I think we need -- I think donors need to move beyond this mindset where they think of aid as this carrot which you can use to try and induce policy reform in recipient countries and occasionally take the carrot and hit the country over the head with it. It's not a very effective -- it's not a very effective tool for bringing about policy change for putting pressure on governments. It does hurt recipients. It does hurt the people in those countries. I don't think it hurts the governments very much.

Just in the last few weeks -- actually, in the weekend reports President Obama in his discussions with Mahmoud Abbas threatened to withdraw aid from the passing authorities. I wish that donor countries would stop doing this if that report is true. I do believe that aid should be about a long-term commitment with donors to recipients and we should stop this stop-start process with aid.

Now, the third high level forum of aid effectiveness three years ago in Accra there was a really useful discussion about the predictability of aid but I'm talking here not just for that predictability. I'm not talking about telling a country next year we're cutting your aid, the next year we're going to increase it.

That's entirely predictable. I'm talking about volatility and I hope that the high level forum this year, which is taking place in Busan in South Korea, that there will be a proper discussion about the cost of volatile aid and it's something which might be brought up in Turkey.

My second recommendation, my final point, this one is a little bit out there. It's about the feasibility of putting in place a global social safety net to help the poorest people in the world. Now, if I had said this five years ago you would all be justified in rolling around laughing on the floor for two reasons. Number one, you would have said this is logistically impossible. Number two, you would have said how could we afford it?

It seems to me that both these things might no longer be true as of what we now know over the last five years. In terms of the logistics, in the last few years we've seen a lot of experimentation with putting in place cash transfer schemes in some of the most difficult places in the world. Not just in the nine places like in Latin America. I'm talking about places like Gomer in East DRC. It seems we can put in place these -- we can put in place basic social safety nets even in the most difficult environments. On the cost side, two things have changed. Number one, there's less poverty in the world so it would cost less. Simply the value of transfers would be considerably less than they would have been a few years ago. And secondly, the volume of aid has increased. So my colleague Jeff Gertz and I, we plugged the numbers. In 2005, it would cost $96 billion in transfers to bring every person who lives under $1.25 a day up to the $1.25 level. Not very much but enough to provide them, you know, with the nutrition they need, the shelter, and so forth. That would have been 80 percent of aid flows -- of official aid flows in 2005. 2010, it would cost only $66 billion, which is half of all official aid flows. If you consider private flows as well it's probably only a third of all aid. So what I'm asking is if there is anyone in the audience who has the sort of money which maybe Bill Gates has and wants to try and beat what he did, this is -- for me this is the next big issue. I don't think -- I don't think we're going to see a global social safety net put in place overnight. I think it's likely to happen first in regions and in countries then in continents. But I do think it's starting to become something feasible which we should be talking about.

I read yesterday that the U.N. has put out reports on exactly this issue where they're recommending something similar to which I say bravo. But my colleague Jeff and I, we plugged the numbers first just a few weeks ago.

(Applause.)

MR. KIMENYI: Thank you. Thank you very much, Laurence. And thank you very much all the panelists.

I don't want to attempt to summarize what has transpired so far and I want to leave time so that we get comments, but we have heard a lot of suggestions, including innovative approaches to aid. The issue of trade, duty-free access, quote-free, the issues of debt, food security, climate change, and other issues, including the U.S. position, particularly what the United States government is doing with its new innovative approaches to dealing with development in a wholesome way.

So what I would like to do at this point is open for comments and questions but since I know that many of you do want to comment, please keep it short. I would like to take a couple of questions and I don't think you need to specifically direct it to any particular person. We'll open it to the whole -- all the panelists. Keep in mind that one of the ideas is to input -- it's an input to the coming conference in May so suggestions would also be welcome. And also looking at, you know, all these programs realistic at this time? Are we focusing more on aid? Are we focusing on reforms within the countries, and so on. So please be very brief and specific. And we have questions so we'll start with the gentleman right there. Why don't we -- yes. Please be brief.

MR. HARRISON: My name is Mark Harrison. I'm with the United Methodist Board of Church and Society.

Secretary Diarra, could you tell Steve why there should be a currency transaction levy? And Steve, will you tell Diarra why there should not be a currency transaction levy?

And to Arjun, you are standing in a group of Americans. The unemployment rate is over nine percent. This is the worst recession that this country has ever had since World War -- I mean, since the Depression and you're saying, well, let's open up the markets and duty-free and what impact is that going to have on employment here. So you are talking to an American group that are unemployed right now, not the people in this room.

MR. KIMENYI: Thank you very much for being brief. Okay, another one. Okay. Right there. Brother, could you come in front and take that from him?

SPEAKER: Hi, my name is Atin Adour. And if you're looking at the economic trends in African a lot of the growth has also been attributed to more trade with African countries -- between African countries and the the BRICs. So how do you see the U.S. and the E.U. partnering with the the BRICs to boost economic growth in sub-Saharan African countries?

The other question that I had has to do with political volatility. I think part of it also contributes to aid volatility in the region. Some of these states are not actual states so how do you deal with that issue of statehoodness and aid? And is it more aid that we need or should we be focusing on security reform or institutional reform in some of these countries? Thank you.

MR. KIMENYI: Excellent. Okay. Another one. Right here, please.

MS. TAN: Hi, I'm Rebecca Tan from the Protection Project of SAIS

I was wondering. This is specific to what Laurence shared about the volatility of aid. How feasible do you think it is in this day and age to tie aid or promises of trade to political change? So, for example in the case of the trade embargo in Burma where it's not really having an effect, how feasible do you think it really is today and whether there should be a reconsideration of, you know, the principles behind aid or the conditions that we attach to them?

MR. KIMENYI: One more before we get -- Dr. Suruma. Dr. Suruma is one of us, a former minister of finance in Uganda so he has dealt with this issue.

DR. SURUMA: Thank you very much, Mr. Mwangi for introducing me.

The transparency, Mr. Radelet I was glad to hear U.S. aid is becoming more transparent. My experience was that we didn't really know what the USAID was doing in Uganda. But they are so big we just left them alone. They would come in once in a while and tell us what they were planning to do but our view was that they were not really transparent. I'm glad to hear that you're trying to make them more transparent and I hope this will indeed be the trend. And also the teamwork I think is extremely important that we are engaged and increase trust in what we are trying to do.

Laurence, I'm a bit worried. When one of my ministers in the Ministry of Finance attended the meeting in Zambia, I think, and came back with these ideas of cash transfers I was not very happy about it. For the reason that you gave, volatility, for example. If it's coming and going and one year it's coming and another it doesn't come and you made people dependent on it, I think it would be extremely dangerous. For the same reason that people here are not so warm on warfare, we wouldn't want to -- I realize it's clear that you would like to support starting people so that they have something to eat. Perhaps if there is a drought or something like this it's understandable that we should assist. But I think if we have a policy of giving cash transfers and people know that money is coming and it may -- but then we find sometimes it comes and sometimes it doesn't come, I can see some real dangers of this policy and would be worried about it in terms of incentives and dependency. We're trying to stop dependency, not increase dependency in aid.

And finally, on the fragile states, I was glad to hear -- well, I wasn't glad to hear. I think there was some indication of perhaps a reduction in fragility. I don't know. But you said something about where stability has increased, political stability. And then probably area of growth has improved as well. This is also my view. And I hope that (inaudible) building and particularly in Africa in the elections. As you know, we're having a great deal of problems with elections. For example, in the Ivory Coast. And I think there is really a great deal of need for assisting and holding transparent and clear elections so that we know -- people can know who has actually won elections. And then this could contribute to ending this fragility which is a big problem for growth. Thanks.

MR. KIMENYI: Okay, thank you very much. I think I would like the panelists to respond very briefly so that we take another round. But I think for Steve I'd also like to mention that we hosted the minister of finance from Rwanda and he said he didn't know how much money was coming from USAID. He couldn't explain what was coming in. So it's very good that you have that. The next time he comes I think we would like him to visit you down there to see that. But why don't I start with Mr. Diarra very briefly.

MR. DIARRA: Thank you sir for your question. I'm going to be very brief.

The technical feasibility of the levy is established. It's internationally accepted. Many OACD members, including European Union members -- I can name a few here -- formally committed that they would adhere to this principle. It's about 0.05 cents for each dollar in a trillion -- a total three trillion transactions a day. The advantage of that is that it will relieve the donor countries in terms of governmental contribution into official development assistant. Currently, it's mainly the government's budget that support the official development assistant. We see more and more private foundations and NGOs pitching in but the initial support -- international support in terms of assistance, development assistance, was mainly governmental.

So this levy would mobilize we have estimated up to 42 new money to $42 billion new money which would double the current level of $37 billion that is -- the only problem is a philosophical problem. Should we tax business to give it in support of the poorest? It's only that but my practical approach is that yes, if you do that you empower the poorest to become potential consumers and potential producers so that they will make the business run again on the other hand. So that's my only reply I can provide you with. We fully support this levy on financial transactions. Thank you.

MR. KIMENYI: Thank you. Half a minute, please.

DR. KARKI: Thank you very much. In fact, I understand your question and it is -- we have observed the crisis in developed country as well. But we are raising this issue of pure trade in the context of development emergency that is taking place in the 48 U.N. defined poorest countries of the world. And there are issues like trade deficit as well. These countries are also importing goods and services from these developed countries. So by allowing

LDC product in this country you can really maintain the (inaudible) with this country in terms of, okay, maintaining their balance of payment. And this can also play a role of engine of growth. And also generate innovative sources of financing in social sector investment in these 48 U.N.-defined poorest countries.

MR. KIMENYI: Thanks. Steve?

MR. RADELET: Thank you.

MR. KIMENYI: (inaudible) currency.

MR. RADELET: Yeah, on the currency transactions. I think the issue is really not so much about finding a new source of revenue as it is making the case of the importance to the United States about engaging with developing countries and making the case that we can do it effectively. We could think of a number of areas of things we could tax. We could have a financial transactions tax. We could have a wealth tax. We could have a death tax and an estate tax. Not a death tax. Sorry. An estate tax. We could have a land transactions tax. We could have an airline ticket level. We can think of a number of ways to levy taxes.

We collect in the United States $1.2 trillion in taxes. Probably not enough for a lot of the things we want to do. But so the issue is not finding such a clever way to tax. We could find a lot of different ways. It's a much broader issue about financial resources available and how to spend them. The United States has substantially increased its assistance to developing countries over the last 10 years. It was not because we found some new tax. It had nothing to do with that at all. What it had to do was building a coalition of people who understood the importance of these issues to the people of the United States and making the case that we could do it effectively. Going forward if we're interested in continuing to increase the financial resources, that's the way that we need to continue to work. That's going to be harder because of the financial constraints that we face. But if Congress could find new ways that were painless to tax people that wouldn't have the implications that they worry about, they would go ahead and do it. I'm not sure they would spend it the first thing on development. But we've been very successful over the last decade by building the coalition of the importance and showing that we can be successful. That's the way forward.

On the specifics on the financial transaction stacks there's a lot of evidence that while it might collect a lot of revenues if it could be done well, that the costs and the difficulties in actually collecting the tax are pretty significant. It's not such an easy thing to do. There would probably be a lot of folks trying to circumvent it as with any tax, so it's not at all clear that it would actually collect that much revenue. But again, that's not really the issue. The issue is in making the case that this is the effective thing to do and we're doing -- I think we're making a lot of progress on that.

There was another question about the sub-Saharan Africa and the BRICs. There has been a lot of investment into sub-Saharan Africa by some of the BRICs and other countries and in many ways it's a great thing. It's showing sub-Saharan African countries becoming more integrated into the world economy and creating lots of new opportunities. There are some downsides to some of that stuff. We've got to be -- this is where the issues around transparency are so important that it's important that that stuff become very transparent and very open. In terms of the United States, the question was basically that the BRICs are really increasing their foreign direct investment much faster than the United States is. And that's true. And we're very conscious of that and we are, through many of the measures that I talked about, trying to change people's attitudes about countries in sub-Saharan Africa and Least Developed Countries in general to make the case that things are beginning to turn around and we're using in different ways around investment conferences and other kinds of ways to encourage private companies to take another look at the opportunities in many developing countries with some success.

I just came back from Tanzania. I visited a flour mill where General Mills is doing some work with this little flower mill in Arusha that employs 28 people and they've got a direct connection to General Mills of all places. So step by step we're beginning to do this. I think it's a really big challenge and I think it's an excellent question. We're very conscious of it and we're beginning to take steps now to see if we can encourage more issues there.

Minister Suruma, it's nice to see you again and it wasn't really a question, it was a statement. And you know, on transparency of USAID flows and I'm with you. I've been outside of government for many years and even as an American I could never quite figure it out. It's very complicated for a number of reasons, and it's not just USAID. There's a number -- one of our problems, one of our challenges is that we have a number of U.S. government actors. The Department of Health and Human Services, USAID, State, the Millennium

Challenge Corporation, Treasury and many others. So it's complicated because of the arrangements that we have here. But we are beginning to really take this seriously. And as I said, we are committed to moving forward, not only to getting better data up in terms of what has been spent but doing a much better job of being publicly transparent about the projects underway, the commitments that we have made, what we're trying to achieve, and making that much more public. So we're underway in trying to improve that.

MR. KIMENYI: Okay, just talk about the (inaudible) social safety net. Briefly.

MR. CHANDY: The social safety net. That's all?

So let me just say briefly on that, I think I'm more of a believer than you are in the value of the social safety nets. But I defer to your judgment.

The point I wanted to make was that these things are now feasible on a scale they might not have been before. But I do think you're right, that any social safety net needs to be recipient-owned. If they recipient country doesn't want it they shouldn't have it. Two, they should be, you know, there should be long-term funding and so you're going to go exactly right on that. And three, we need to do proper evaluations to know whether it does create these little dependency effects you talk about.

Can I just briefly say on the volatility questions, the research which my colleague Homi Kharas has done at Brookings suggests that around two-thirds of the cause of volatility is due to change in conditions in the recipient country. So you're exactly, you know, this is about a governance challeng. So you're exactly right to bring those up. The other third are due to sort of fickle behavior, you know, just fickle decision-making by the donors.

What I would like to see is in those two-thirds of the situations where the conditions change in the country, that rather than donors turning on and off the taps that they change the modality. You know, they adopt different approaches essentially to how they deliver their aid rather than affecting the flows themselves. I think that's -- it's easier said than done but I think that we could go a lot farther on that. And there are other people now talking about that a lot. I think Paul Collier has been talking about that a lot this year. I'll stop.

MR. KIMENYI: I think I can take -- whoo, they are coming up. I can take (inaudible) maybe very briefly, may be a couple of them and we conclude. Very briefly. Thank you.

MS. HOLTMAN: I'm Tammy Holtman from AllAfrica.com. There's been some mention of states progressing towards democracy but some of the growth has been in countries that have not been participatory at all and have no respect for human rights, etcetera.

How do you see the issues of governance affecting the possibilities of eradicating poverty or of growth that some countries which are not democratic -- how sustainable is that growth, especially in the current world environment?

MS. KELLY: Hi, Christina Kelly. I'm reading one of these handy booklets and these packages. On page 30 it's talking about how there's a three-year transition period to assist graduating countries to adjust the loss of benefits associated with being an LDC. It kind of reminds me of someone coming off of welfare unemployment in the U.S. which there's a lot of criticism of because people can stay in those programs pretty much indefinitely. So what is the motivation of a country to cross that threshold form maybe a high performing LDC to a graduating country, especially why they might not have a full democracy, fully accountable to their people?

MR. CULPEPPER: My name is Roy Culpepper from the Woodrow Wilson Center here in Washington.

Just picking up on the issue of aid dependence which has been brought up. Is there not a lot more that both donor countries and the LDCs themselves can do to mobilize more domestic resources both through the tax system and through their own internal financial markets? There are a number of initiatives that are already afoot among, for example, African countries. There's an African Tax Administrator's Forum that was launched in Kampala just a year and a half ago. But there's also a lot of interesting discussions on how to reform the international tax rules. For example, to go beyond EITI, the Extractive Industries Transparency Initiative, to going to a country-by-country reporting system so that multinational corporations would be much less able through transfer pricing to transfer profits away from developing countries and therefore reduce tax possibilities for those countries.

And finally, global financial integrity here in Washington has documented the capital flight and the billions of dollars from the south to the north. Isn't there much more than developed countries, including the United

States, that domicile the proceeds of this capital flight, isn't there much more that can be done to repatriate this capital flight to the countries of origin? We're talking about the Mubarak fortunes right now being repatriated to Egypt. Let's not stop there. Let's talk about the capital flight from all developing countries to developing countries. Thank you.

MR. KIMENYI: One more. Let's take one more question. That lady there. I think, yeah, over there. Thanks.

I think we have to close. We go after 11 and we may not get all the responses.

MS. ST. LEWIS: Hi, Melinda St. Lewis with Jubilee USA Network. I wanted to address the debt issue that you brought up and particularly the impact that debt cancellation had on some of these countries that perhaps some of the reason they were able to cope with the financial crisis through stimulus is because their debt overhang had been eliminated through HIPC and MDRI. But very concerned about the 20 countries, LDCs that are still in high debt distress. And particularly as lending increases by some of the emerging lenders that haven't participated in debt cancelation initiatives in the past to just make the point that I think the LDC conference should think about how you deal with sovereign debt crises and particularly the need for a sovereign debt workout mechanism for countries in debt distress.

MR. KIMENYI: Thank you very much. We may not get all the responses but we are going to ask the panelists to conclude with maybe 30 seconds. And I would also like to announce that there are some people who signed on for a strategy session after this and that will be in the next building through the cafeteria, 1755, fourth floor. About 12 people who wanted to iron out some of the issues. 1755, fourth floor.

So I'll start with Ambassador.

MR. DIARRA: Thank you very much. I will try to react to two questions mainly, one related to governance. To say that the current program of action that is ending next May called the Brussels program of action has governance as the second of its priority areas and we are almost in agreement among all stakeholders in the process of negotiations, current negotiation, including the Least Developed Countries themselves that this should be one of the pillars of the next generation of commitment because that's the only thing that the development partners are expecting the Least Developed Countries to be performing on, to deliver on improving their governments be it political, economic, corporate governance, (inaudible) government. So this will be part of one of the pillars, central pillars of the next generation of commitment coming from the LDCs.

Three year transition period. This is the process as has been set up by the United Nations and it is done in such a way that there should be a smooth transfer from the status of Least Developed Countries to a status of middle income countries. And this smooth transition allows to make, to consolidate the social gains obtained during the transition period and to make them irreversible. It means that the preference treatment accorded to a specific country graduating from the status of LDCs in terms of access of products in the basis of trade, access to financing, access to official development assistance, should be maintained during three years so that the country can smoothly go on to transfer.

One last thing I would like to really put an emphasis on. That will be my closing. My closing statement is that we need to put a particular emphasis on investment, productive investment, creating special regimes in donor -- current donor countries in order to insight the corporations to invest in productive sectors in the Least Developed Countries. I think that will be the most sustainable trait, even more than the official development assistance. This is why, because it's a win-win situation.

We also need to change our perception about the Least Developed Countries. These are countries full of potential. The human resources are phenomenal. Seventy percent of the population in LDCs are less than 30 years old and these guys and girls are striving to really -- they hunger for knowledge. They hunger for standards of living that are prevailing everywhere around the world. So we can count on them to deliver once we empower them.

So from an ever assisted countries by the international community we should see the LDCs as countries full of potential that we just need to unleash in order for the people to be empowered. So I will stop here and thank you really for attendance this morning.

MR. KIMENYI: Thank you very much. Very briefly.

DR. KARKI: Thank you very much. I just would like to talk upon the issue of domestic resource mobilization. In fact, I fully understand this issue and this is very important for us. We have been discussing and developing this around the issue of the next generation of program of action. But we have to really understand the fact that LDCs, they have an issue of economic smallness and economic remoteness as well. And also most LDCs spend more money on debt salvation than they use for social safety net in their one country. So due to the size of the economy, whatever we mobilize domestically is not really enough to fix the development emergency and humanitarian crisis that these LDCs are facing.

And the issue of governance, I just would like to conclude that this is something we have been raising very seriously to our government and LDC as well. We are advocating for proper governance and also transparency and accountability so that whatever resource is valuable can be given out to poorest and most vulnerable communities in our countries.

MR. KIMENYI: Thank you. Steve.

MR. RADELET: Just briefly on two points. On Tammy's question around democracy.

The patterns between development and democracy are changing quite rapidly at the moment. Since the end of the Cold War and the end of Apartheid we are seeing one of the great changes in the history of the world and very few people notice it. We have never seen so many low-income countries become democracies in so short a time as we have in the last 15 years. It's never happened before. In fact, 20, 25 years ago people would have said poor countries can't become democracies. The whole basis of modernization theory is that it really can't happen and 20, 25 years ago around the world you would have looked at India whose success was not so great; Botswana, which was doing much better; and Mauritius, and that's about it in terms of democracies.

Since 1995, that's changed quite dramatically, and we have a very large number of fragile, imperfect, but emerging democracies among some of the poorest countries in the world. I think that bodes very well in the long run for much more accountable governance, much better investment of domestic resources, much better rule of law, and all that comes with that.

Twenty years ago the idea would have been you've driven by Asian that to be successful in development you had to be essentially an authoritarian government. In Africa, the record of authoritarian governments is really bad. The record of more democratic countries in the last 15 years is actually pretty good. So we're seeing a very different pattern in sub-Saharan Africa on this relationship between democracy and development than we saw historically in Asian.

Now, the implication is your question, what about the countries that are non-democracies? Well, I'm more concerned. There are two types of non-democracies if you will that are showing some rapid growth. One are the oil exporters, and we all know the history of oil exports. It looks good when oil prices are high but doesn't always benefit people and can stop quickly. The other is there are some non-democracies that have done well but none of them have really gone through a credible and peaceful transfer of political power. And until those countries do that they are at more risk that those gains could be lost.

So I think we're going to have to wait and see. Not that it can't happen because we also know lots of non-democracies do well. But I think it's much more risky these days and we'll have to wait and see for a credible transition of power.

Just very quickly, Roy's question is about lots of things that countries can do domestically. Yes. Yes. Yes. Yes. And yes. I think.

MR. CHANDY: I'll try and keep it short. Two points. Number one, this question about the relationship between governments growth and poverty just picking up on what Steve was talking about. Let me just give you a slightly different perspective on it from some work we've been doing here.

I think -- and I'm going to approach this in terms of through the lens of fragility. I think until a few years ago we used to think that there was a fairly linear path through which countries developed from fragility, into stability, and then into growth. And so you can imagine low income, fragile countries becoming stable low-income countries, then becoming stable middle-income countries. I think this whole idea is true for some countries. It's true for some countries. It happens. It happens in Liberia. I think it now represents a subset of countries. I think that we're seeing many new paths and I don't really think we know what it means. I think the best example of this and the thing which really highlights this is you now have two countries, Nigeria and Pakistan, who just have been lifted into middle-income country status. And they're incredibly fragile countries. They're very large countries, you know, large populations, still contain large numbers of poor. I think this is going to shine a light on this issue of fragile middle-income countries. And the World Bank used to say that to be defined as fragile you had to be low income in the first place. I think this is now a dated idea so I think this is -- it's causing me a headache. It should be causing everyone a headache thinking about these issues.

Finally, a brief -- about the graduation issue, about the cost and benefits of graduation. It's a silly little story but it's true. Five years ago I was living in Papua, New Guinea when the government there received a letter from the U.N. saying that its development indicators had been declining and that Papua, New Guinea was eligible to be considered for Least Developed Country status. Now, this came at the wrong time for Papau, New Guinea because just recently, just a few years before the Australian foreign minister had implied Papau, New Guinea might be becoming a failing state and (inaudible) in the country, they were very wary of foreign labels being imposed on them. And I know the chap who received this letter is a senior bureaucrat, secretary of the Prime Minister's department, took this letter with him to I think the Pacific Islands for a more -- perhaps it was the Malaysian spearhead groups –- one of these groupings of Pacific countries where senior bureaucrats get together to discuss things. And he brought along this letter and he said to his peers, he said, you know, what am I do to? I received this letter. It's an affront to my people. You know, we are a society of substance, affluence. You know, we don't take kindly to these kind of labels. And the chap from the Solomon Islands put up his hand and said, you know, sir, I know exactly how you feel. I received a letter saying we are ready to graduate to Least Developed Country status. We've just come out of a civil war. We're a small island stuck in the middle of the Pacific miles away from anyone. How can the U.N. belittle our development challenges in this way?

And I think the lesson from that is that it's a process which has to be managed. And I think -- I actually think the U.N. does that very well by using its discretion and allowing countries to decide whether they are ready to gradate or not.

MR. KIMENYI: Thank you very much. And maybe we clap for the entire panel. This was a very lively and educative panel.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, IIi

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Expires: November 30, 2012