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Chairman: Mr. Balarezo . . . . (Peru)

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Agenda item 84: Follow-up to and implementation of the outcome of the International Conference on Financing for Development

04-54950 (E)

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The meeting was called to order at 10.10 a.m.

Agenda item 84: Follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/50/115; A/59/92 and Add.1 and Add.2-E/2004/73 and Add.1 and Add.2, A/59/155-E/2004/96, A/59/270 and A/59/272)

1. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs), introducing the report of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/59/270), said that the report updated the comprehensive review of the implementation of the Monterrey Consensus prepared for the High-level Dialogue on Financing for Development, held in 2003, the main recommendations of which remained valid. In keeping with the established practice, the report had been prepared in close cooperation with the major institutional stakeholders in financing for development, in particular the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP). It adhered to the structure of the Monterrey Consensus and followed the order of the six basic sections defined therein. It provided an account of initiatives, actions and commitments undertaken by Governments and the major relevant stakeholders since the preceding year. The overall assessment was that progress in achieving the goals set out in the Consensus was still uneven and it remained essential to strengthen implementation efforts in all areas.

2. With regard to the mobilization of domestic financial resources for development, a number of developing countries had increased efforts to improve different aspects of governance, but with varying results. Progress had been achieved in the development of participatory political systems, but results had been more modest in the enhancement of transparency and accountability in government, the implementation of the rule of law, and the fight against corruption. It was nevertheless worth noting the especially high number of signatories to the United Nations Convention against Corruption. While many countries had continued to improve their macroeconomic policy, most remained vulnerable to global economic shocks and had limited capacity to conduct counter-cyclical monetary and fiscal policies to deal with domestic imbalances and the adverse impact of such shocks. Despite renewed economic growth in many developing countries, unemployment and underemployment were still serious problems. In terms of poverty reduction and social development, one of the major challenges was the design and implementation of structural policies, including education and job training programmes, to facilitate the match between supply and demand.

3. The importance of developing a dynamic private sector through policies that facilitated the creation of small and medium-sized enterprises was being increasingly recognized. However, the regulations to encourage entrepreneurship needed to be revised and simplified. Efforts were under way in several developing countries to strengthen the financial regulatory and supervisory framework. However, in order to strengthen the banking sector and the financial markets more effective policies were required. Many developing countries were striving to improve access by small businesses, the poor, women and rural populations to the financial system.

4. Remittances from emigrant workers were an important complement to domestic financial resources in developing countries. They could have an important counter-cyclical effect because they typically increased during economic and financial crises, while other private flows tended to decrease.

5. In 2003, net private capital flows to developing countries had remained positive and continued to be the largest component of capital flows to such countries. However, the general overall improvement must be seen in the context of negative net financial transfers for a large number of developing countries and countries with economies in transition in 2003. The question of how to attract foreign direct investment to more developing countries remained a major challenge. Foreign direct investment flows remained highly concentrated in the larger emerging market economies. To attract such investment, a growing number of developing countries had become more aware of the importance of a favourable domestic environment and of the need to strengthen the collection and dissemination of information, for both foreign and local investors.

6. In an increasing number of developing countries, improvement of the physical infrastructure had become a priority. Since the flow of private investment in that area had not been adequate to the challenge, the

financing of infrastructure projects in certain areas might require collaboration between the public and private sectors and the support of the international financial institutions. In that regard, IMF had begun to explore a new and more flexible approach to the design of lending programmes that it supported. Such an approach would, inter alia, allow commercially run public enterprises to be excluded from fiscal indicators and targets.

7. With regard to international trade, the decision taken in August 2004, by the General Council of WTO setting out the frameworks for future negotiations, represented a major breakthrough in carrying forward the Doha work programme. At the close of its eleventh session, held in São Paulo in June 2004, UNCTAD had outlined a series of policies and actions designed to maximize development gains from international trade, the trading system and trade negotiations. At the same time, new regional trade agreements, including those between developed and developing countries, had raised questions regarding their interface with the multilateral trading system, as well as their development implications.

8. The recent WTO decision represented progress in several areas, in particular the commitment to eliminate agricultural export subsidies. Special and differential treatment in favour of developing countries was an integral element in all parts of the agricultural package.

9. The report also noted that a number of disputes had been settled, with results that could have implications for negotiations, particularly with regard to the future application of anti-dumping and countervailing duties. Reference was also made to the liberalization of the textile trade in 2005, which would be of major importance to developing countries. Recent "new generation" "WTO-plus" regional trade agreements covered not only trade in goods but also other regulatory areas.

10. It should be noted that the "Spirit of São Paulo" and the São Paulo Consensus stressed the importance of the quality of trade, in terms of beneficial integration of developing countries into the international trading system, contributing to growth, sustainable development and the eradication of poverty.

11. Participants in the eleventh session of UNCTAD had also underlined the importance of paying continued attention to commodities, including instability in world prices, and the difficulties faced by developing countries which depended on such products. Similarly, South-South trade was an important aspect of the new trade geography, and a more comprehensive Global System of Trade Preferences among Developing Countries (GSTP) could help to expand it. The announcement, at the eleventh session of UNCTAD, of the agreement to launch a third round of GSTP negotiations was a major step in that direction.

12. With regard to the strengthening of international financial and technical cooperation for development, it was widely agreed that a substantial increase in the levels of official development assistance (ODA) would be required to achieve the Millennium Development Goals by 2015 and that additional financing would be required to help the developing countries to achieve healthy, sustained and stable growth.

13. Official development assistance in the form of loans and grants had risen to $68.5 billion in 2003, bringing an increase in the share of ODA to gross national income from 0.23 per cent to 0.25 per cent, with large variations among donor countries. It should nevertheless be remembered that, since the figure included debt-relief and aid to countries in conflict situations, the increase in resources for development was smaller. In 2006, ODA was expected to increase to $77 billion, which would bring the share of ODA to gross national income to 0.29 per cent. The signs were encouraging, but efforts must be intensified.

14. The task therefore was not only to mobilize resources to speed progress towards the achievement of the Millennium Development Goals, but also to formulate strategies to ensure predictable flows of resources over the long term. To address that challenge, there had been increasing discussion of new and innovative ways of financing.

15. Only a few of the proposals regarding innovative financing mechanisms had been debated at the intergovernmental level. The current session of the General Assembly would seem to be the right time to initiate such discussions at the United Nations, with a view to building consensus on decisions that might be taken at the next High-level Dialogue on Financing for Development.

16. The total external debt of developing countries had continued to increase in 2003 by approximately

$95 billion, or 4 per cent. Many low- and middle-income countries had experienced greater difficulties in honouring their debt commitments.

17. The restructuring of debt owed to private creditors was also an important aspect of external debt crisis resolution. The introduction of collective action clauses and the development of a voluntary code of conduct by private creditors and sovereign debtors were the major ongoing initiatives in that area.

18. With regard to systemic issues, such as the enhancement of coherence in international monetary, financial and trading systems in support of development, surveillance of national economic and financial policies by multilateral bodies, particularly IMF, was the main tool at the disposal of the international community for promoting coherence in macroeconomic policies and financial stability. Such surveillance must not only help to identify imbalances and vulnerabilities, but also signal potential problems to policy makers and markets, and prompt early action. However, surveillance was increasingly focused on the stability of the system as a whole, and there was a need to strengthen significantly surveillance of the major industrial countries and their impact on global capital markets.

19. The international community had a long-standing responsibility to provide adequate financial support to countries which had balance-of-payments problems so that they could undertake economic adjustment measures. To that end, IMF had introduced the trade integration mechanism.

20. With regard to the strengthening of institutional mechanisms for international cooperation in the areas included in the Monterrey Consensus, the report noted the efforts of the Economic and Social Council to consider ways and means to strengthen cooperation in tax matters. It was to be hoped that an agreement could be reached on that important subject which had been highlighted in the Monterrey Consensus.

21. There was increasing recognition that international financial governance structures must evolve to broaden and strengthen the participation of developing countries in economic decision-making and the setting of standards. Political will, however, had not yet been fully mobilized, and the international community should continue the search for acceptable solutions leading to possible breakthroughs in that area.

22. **Mr. de Rojas** (Director of the Financing for Development Office, Department of Economic and Social Affairs) introduced the final part of the Secretary-General’s report (A/59/270), entitled “Staying engaged”. All stakeholders in the Monterrey Process had reaffirmed their commitment to staying fully engaged — nationally, regionally and internationally — and to ensuring proper follow-up to the implementation of agreements and commitments reached at the International Conference on Financing for Development. At the intergovernmental level, the General Assembly had held its first High-level Dialogue on Financing for Development in October 2003.

23. With respect to other intergovernmental mechanisms for the implementation of the Monterrey Consensus, he noted that in April 2004 the Economic and Social Council had held its annual meeting with the international trade and financial institutions on the overall theme of “Coherence, coordination, and cooperation in the context of the implementation of the Monterrey Consensus”. In preparation for the meeting, hearings with representatives of civil society and the business sector had been held; that had contributed to the debate. It was hoped that agreement would be reached on ways to consolidate and strengthen further the intergovernmental mechanisms put in place to follow up the Monterrey Consensus.

24. Many national Governments, multilateral institutions, business entities and non-governmental organizations had adopted the Monterrey Consensus and put it into action in their programmes of work at the national, regional and international levels. For example, the participants in the most recent G-8 summit had adopted an action plan on the role of entrepreneurship in the eradication of poverty, which dealt with key areas of the Monterrey Consensus. Another example was the recent meeting of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), which had dealt with key areas of the Consensus. Mention should also be made of the meetings held recently by the Bretton Woods institutions, which had addressed a range of themes, including innovative sources of financing, strengthening the participation of developing countries and improving the effectiveness of ODA. Non-governmental organizations and the private sector had also held workshops and round tables, and had

launched other initiatives. As requested by the General Assembly in resolution 58/230, the Department of Economic and Social Affairs had begun to organize a series of multi-stakeholder consultations on the various chapters of the Monterrey Consensus in order to examine issues related to the mobilization of resources for financing development. The preliminary outcomes of those consultations would be presented in time for the next High-level Dialogue, to be held in 2005. The Financing for Development Office was directly coordinating multi-stakeholder consultations in the areas of building an inclusive financial sector for development and the restructuring of sovereign debt. The Office had also engaged the World Economic Forum to conduct a series of consultations on understanding how public-private partnerships could improve the reach and the effectiveness of development assistance and improve the climate for private investment.

25. The regional commissions had been actively engaged in the implementation of the Monterrey Consensus and were carrying out activities to that end. The Financing for Development Office had also organized a series of informal discussions and special events on Consensus themes. For example, a high-level panel on innovative approaches to financing for development had been organized at the eleventh session of UNCTAD in São Paulo.

26. With respect to the next High-level Dialogue on Financing for Development, to be held in 2005, he said that a comprehensive report would be prepared on the state of implementation of the outcome of the International Conference on Financing for Development.

27. **Mr. van Ginkel** (Rector of the United Nations University) said that in November he would present a biennial report on the United Nations University's work concerning financing for development. The report on innovative sources of financing for development (A/59/272) was the result of close cooperation between several partners, including the Department of Economic and Social Affairs and the United Nations University. The next report published by the University would be launched on 15 November, in the presence of Professor Anthony B. Atkinson, Warden of Nuffield College, Oxford University.

28. **Mr. Addison** (Deputy Director of the World Institute for Development Economics Research of the United Nations University, UNU-WIDER) presented a summary of the report on innovative sources of financing for development (A/59/272). The report looked at several possible sources of financing for development, apart from ODA, that could be employed in order to achieve the Millennium Development Goals. They included global environmental taxes, the Tobin tax on currency transactions, the creation of new special drawing rights (SDRs), an international finance facility proposed by the United Kingdom, increased private donations for development, increased remittances from emigrants, a global lottery, and global premium bonds.

29. The first conclusion of the report was that global environmental taxes and the Tobin tax on currency transactions could yield substantial revenues at a very low tax rate. The levying of a global tax on carbon use could raise some US$ 60 billion a year.

30. The second conclusion was that there were alternatives to global taxation, notably the United Kingdom proposal for an international finance facility which, if it attracted sufficient support from donors, could yield sufficient flows to achieve the Millennium Development Goals. Moreover, the creation of SDRs, the creation of a global lottery, increased remittances from emigrants, and increased private donations were all potential sources of significant revenues.

31. The third conclusion was that there was a risk of crowding out, since countries that transferred any new SDR allocation or signed up to the international finance facility might offset that commitment by cutting or failing to increase their regular ODA. In the same way, private donors might be less prepared to pay taxes intended for ODA. It was therefore necessary to examine very closely the additional implications of each proposed financing source.

32. The fourth conclusion was that some of the sources of financing proposed might lead to a "double dividend". For example, the environmental carbon tax might help to combat global warming while also mobilizing additional resources for development. However, even if there were the potential for double dividends, they were a by-product, not the primary rationale, of the proposals.

33. The fifth conclusion was that the existence of a double dividend did not mean that there was no cost, and that it was illusory to suppose that simply adopting

an alternative funding route avoided all costs. It was therefore necessary to make clear political choices.

34. The sixth conclusion was that the process of achieving the Millennium Development Goals could stimulate the world economy. But the absorptive capacity of developing countries must be taken into account. Moreover, citizens had an important role to play, notably by making donations to charity. Also, national governments, acting alone, could take steps to increase the flows of finance for development, for example by launching a premium bond dedicated to development funding. Subsets of countries also had a role to play, for example by signing up to the international finance facility. Finally, he noted that the involvement of all Governments was required to make certain mechanisms work, including the carbon tax. The list of solutions proposed in the report was not intended to be exhaustive, and each Government must choose which was most appropriate from the political, technical and ethical standpoints.

35. **Mr. van den Berg** (Netherlands), speaking on behalf of the European Union, commended the quality of the report, of which Mr. Addison had presented a summary, but explained that the priority was to implement the Monterrey Consensus in its entirety. He also welcomed the publication of the report on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/59/270), which had been prepared in consultation with the major institutional stakeholders. He noted, however, that several other reports had been prepared on the same agenda item, and wondered whether that might cause some confusion. Coherence was a central concept of the Monterrey Consensus. He asked whether the stakeholders in financing for development had also been consulted during the preparation of the other reports. It would be preferable to prepare one main report on financing for development, particularly on the system for financing the debt, which would include all the conclusions, and provide a coherent overview. He would be interested to know the position of the Department of Economic and Social Affairs and the principal institutions on the matter.

36. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) said he hoped the Department of Economic and Social Affairs had been coherent in the various reports in question. The Department had tried to ensure that they were complementary. It would be preferable to reduce the number of reports the Department had to prepare, particularly on that issue, but the abundance of documents was the result of requests at the intergovernmental level. The Department had proposed solutions that would simplify the preparation of reports and refocus consideration of some issues.

37. **Mr. Kariuki** (United Kingdom) associated himself with the statement made by the representative of the Netherlands on behalf of the European Union. Regarding the additionality of the financing that would be contributed by the international financing facility mechanism and the risk that it might supplant overseas development assistance (ODA), he said that the United Kingdom had committed itself at Monterrey and at other conferences to increasing ODA. Several donor countries, members of the European Union, had attained the goals that had been set in that regard; others had committed themselves to achieving specific amounts before 2010 or 2012. Budgetary constraints would not allow those countries to achieve a higher level of ODA for another year or so. The international financing facility would help to overcome that difficulty by allowing early disbursement of assistance, using a borrowing mechanism under which participating States would securitize their commitments of future ODA on the bond market. The international financing facility and ODA went hand in hand.

38. The various sources of financing for development could be complementary, particularly the international financing facility and the global tax. It would take a long time to reach an agreement on taxes but, in the short term, the international financing facility would allow early disbursement of assistance, even if all countries did not support it.

39. The United Kingdom and member countries of the Organization for Economic Cooperation and Development (OECD) considered that developing countries had a significant absorptive capacity.

40. **Mr. Mbayu** (Cameroon) commended the quality of the note on innovative sources of financing for development (A/59/272). He said it was important to examine the question of the additionality of the respective financing, but pointed out that the capacity to absorb the new sources of financing could pose problems for some developing countries, particularly in sub-Saharan Africa, which already had difficulties in

absorbing the assistance disbursed by traditional financing sources. Their capabilities in that area therefore needed to be enhanced. It was necessary to continue stressing the commitments made at Monterrey, because ODA remained very inadequate. He asked the Department of Economic and Social Affairs whether the consultation with the stakeholders in financing for development during the preparation of the report on the follow-up to and implementation of the outcome of the International Conference on Financing for Development had been useful.

41. **Mr. El Farnawany** (Egypt) asked how international coherence could be improved with a view to the implementation of the Monterrey Consensus. He also drew attention to the General Assembly resolutions calling on the World Trade Organization (WTO) to strengthen its institutional links with the United Nations and to participate actively in the consideration of questions related to financing for development within the United Nations system. He asked what needed to be done to increase the participation of WTO in the work of the United Nations and to give the United Nations increased participation in discussions and working groups, particularly on trade, finance and indebtedness, at WTO headquarters in Geneva.

42. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) said that he agreed with the views expressed by the representatives of the United Kingdom and Cameroon on the additionality of financing sources and on the absorptive capacities. To be useful, any new mechanism should be complementary to ODA. It was not a question of substituting a new mechanism for the current sources of financing, which were already insufficient. Nor was it a question of being limited to a single solution; the different mechanisms could complement each other. As for the absorptive capacity, the World Bank report on the issue indicated that, in many developing countries, it was satisfactory. Regarding coherence, any initiative on the part of Member States would be welcome. Inter-institutional cooperation was excellent at the level of the secretariats of both the Bretton Woods institutions and WTO. He recalled that the deliberations currently under way in Geneva were an integral part of the work of the United Nations. Inter-secretariat collaboration was effective but should be raised to the intergovernmental level.

43. **Mr. Rojas** (Chile) said that the involvement of WTO at the intergovernmental level depended mainly on Governments. The situation had deteriorated after the Monterrey Conference. In 2001, following discussions with the Bureau of the Preparatory Committee for the Conference, the General Council of WTO had entrusted the Committee on Trade and Development with ensuring liaison between WTO and the process of considering financing for development which was taking place in New York. Once the Conference had started its work, the interaction at the intergovernmental level had declined. In 2003, the General Council of WTO had been represented in the Second Committee, but it had been absent during the current session. It was therefore up to the representatives in WTO of the Governments of the members of the Second Committee to take the necessary measures to revive cooperation at the intergovernmental level between WTO and the process of considering financing for development. The secretariats had no power over the matter and, at their level, cooperation was satisfactory. All the information on the multipartite consultations on financing for development, which would continue in the coming year, would be communicated to Member States in the report to be presented to the Committee in 2005. In the final analysis, however, it was up to the delegations themselves to decide on the usefulness of those consultations.

44. **Mr. Addison** (Deputy Director of the World Institute for Development Economics Research of the United Nations University) emphasized the importance of the international financing facility mechanism, which would allow funds to be mobilized much more rapidly than the global tax, because it did not require universal participation and it would generate resources in a stable and predictable manner.

45. With regard to absorptive capacities, the destination countries, in particular countries emerging from a conflict, could use the funds received to create the necessary institutional capabilities to absorb ODA and the proposed new mechanisms efficiently. It was especially important to create public expenditure systems which guaranteed that the aid financing received would be used for services and infrastructure that would improve the lives of the poor.

46. The global tax would also be of considerable interest, because it could produce a double dividend, particularly in the sphere of the environment.

47. The representative of the World Bank said that, according to studies, $40 million could be absorbed in the very short term even by the poorest countries, if they were given sufficient help. It was necessary to study the absorptive capacity both statically and dynamically, because it involved human resources, institutions and infrastructure that could be strengthened by the initial aid flows. Policies during the initial phases of assistance were therefore particularly important, because a country's capacity to absorb more important aid flows in the medium and long term depended on them. That element should be taken into account when an increase in ODA was considered and new sources of financing were sought.

48. **Mr. Rojas** (Chile) said that the full implementation of the Monterrey Consensus required a more sustained collective effort in the General Assembly and the adoption of follow-up measures at the meeting which the Economic and Social Council would have in 2005 with the Bretton Woods institutions. Technical criteria must be used to determine financing mechanisms which supplemented ODA without replacing it. The question of the capacity to absorb the new resources provided by the innovative financing mechanisms warranted more detailed thought, and greater attention should be paid to the middle-income countries which were facing problems of poverty and economic difficulties. Consideration must be given to new economic models which would enable those countries to commit themselves fully to the road of globalization and to enjoy the advantages thereof on an equal footing with other countries.

49. **Mr. Leglise-Costa** (France) said that his delegation endorsed the views stated by the representative of the Netherlands on behalf of the European Union. The Monterrey Consensus must be fully implemented and sources of financing must be found to supplement ODA. It would be useful to take advantage of the complementarity of the proposed mechanisms, for example by having recourse initially to the international finance facility proposed by the United Kingdom as a means of concentrating aid flows and then moving on to a more permanent mechanism which would make assistance for the developing countries more predictable, and by using the resources mobilized by the international finance facility for investment purposes and those produced by stable global taxation mechanisms to meet some of the recurrent expenditures of the poor countries.

50. Rather than seeking at any price to establish double-dividend mechanisms to produce resources while at the same time repairing environmental damage, at the risk of creating economic or financial distortions, it would no doubt be wiser to concentrate on single-dividend systems which did not have any repercussions on financial flows.

51. **Mr. Benmellouk** (Morocco) said that the Financing for Development Office would serve countries' interests better if it held more technical meetings in the regions and individual countries and invited representatives of the private sector and local non-governmental organizations to such meetings.

52. Rather than jeopardizing the capacity of the developing countries to absorb aid flows for lack of human resources, infrastructure and skills, it would be better to reflect on the inability of the donor countries to fulfil their commitment by failing to contribute to ODA or open their markets to the developing countries.

53. **Mr. Ramadan** (Lebanon) said that his delegation welcomed the increase of ODA but regretted that it was to be introduced gradually. The attainment of the 2015 goals set for development would require a large ad hoc increase in ODA.

54. It was hard to see how the remittance of funds to their families by emigrant workers could be institutionalized given the difficulty of forecasting the amounts and assessing the eventual impact on countries' development.

55. **Mr. Hull** (United States of America) said that charitable giving, which was widespread in the United States, was not an innovative source of financing there, for the Government had established mechanisms for encouraging private donations. By becoming too deeply immersed in debating a system of international taxation, the United Nations system, a reliable development partner, risked neglecting the creation of a favourable environment for the mobilization of resources for development. While ODA left donors some margin for manoeuvre, the rigidity of a global tax might produce a reduction in ODA rather than supplement it.

56. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs), referring to the comments of the representative of Chile, said that the Monterrey Consensus with its six key areas should be considered as a whole. The case of middle-income

countries had certainly not received due attention in the international debates.

57. In response to the observations of the representative of France, he said that one of the advantages of the various mechanisms proposed in the UNU-WIDER study was precisely their complementarity and that the value of double-dividend taxation systems lay in the very large impact which they could have even when operated at very low rates. The Tobin tax was primarily a fiscal tool, and many countries had taken up the idea in order to monitor national financial transactions without causing serious distortions in financial activity. The main benefit of the tax systems proposed in the study lay in their use as financial tools and not in the double dividend which they might deliver.

58. Turning to the comments of the representative of Morocco, he said that the regional commissions and the various banks were encouraged to hold discussions with national and regional players. Absorptive capacity should be viewed in its dynamic aspect, for a country which had initial difficulty in managing the funds allocated to it had no choice, as its economic recovery accelerated, than to strengthen its capacities with international assistance and to improve its absorption of ODA and other aid flows.

59. The Lebanese representative was right to argue that the attainment of the development goals by 2015 would require a substantial increase in ODA.

60. Remittances from emigrant workers constituted a major source of additional income for their families and a reliable source of foreign exchange for the destination countries. The question now was to find means of using remittances for the benefit of the workers' home communities, as some groups of emigrant workers were already doing by investing funds collected from their members in their country of origin. There might be other ways of using remittances.

61. The authors of the study did not deny the charitable giving practised in some countries but were looking primarily at ways of making better use of such donations for the purposes of development. And of course any proposed financing mechanism was conceived as a means of supplementing rather than replacing ODA.

62. **Mr. Addison** (Deputy Director of the World Institute for Development Economics Research, United Nations University), referring to the question of charitable giving, said that it was logical when looking for new possibilities to consider new products; hence the idea of a global lottery or global premium bonds put forward in the study. The study showed that it was possible to raise substantial amounts from very low rates of environmental tax while at the same time helping to protect the planet; hence the double dividend. The countries of destination also benefited from the remittances of emigrant workers, for the use of such funds by families for consumption purposes promoted growth and thus higher tax revenues. The repatriation of funds was moreover essential to the economic recovery of countries which, on the termination of a conflict, were bereft of resources.

63. **Mr. Chowdhury** (Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) said that the note by the Secretary-General transmitting the summary of the UNU-WIDER study constituted a timely input into the quest for increased resource flows to developing countries. In order to attain the Millennium Development Goals by 2015 it was indeed imperative to mobilize additional financial resources for the weakest countries as a matter of urgency. The study explored various proposals for raising additional development resources, but such proposals would be meaningful only if the acute needs and special circumstances of the least developed countries were placed at their core. One way forward would be the immediate fulfilment of the commitment made in Brussels and reiterated in Monterrey in respect of the level of ODA for the least developed countries. Those countries' debt must also be cancelled without further delay, as UNCTAD had recently recommended for Africa, and the capacity of poor countries to manage their debt stock and debt servicing must be strengthened.

64. The IMF Compensatory Financing Facility could also provide a buffer against export-revenue shortfalls in the least developed countries resulting from external shocks, provided that the Facility was made available on a concessional basis. The IDA facility of the World Bank should also be made much more accessible to those countries. Enhanced participation and representation of the developing countries in the decision-making process of the Bretton Woods institutions was essential to the attainment of their

development objectives. That issue was even more important for the least developed countries, which should be recognized as a separate category or group by those institutions, as they were by the United Nations.

65. While the least developed countries had made some progress in creating an environment focused on development and good governance, the international community had not taken the necessary steps with regard to ODA, debt forgiveness, foreign direct investment, and the removal of trade-distorting subsidies. That lack of progress and the lack of coherence in global policies, combined with the asymmetry of international economic relations, had hampered the development efforts of the least developed countries. Therefore the international community must substantially boost its assistance to them.

66. **Mr. Al-Mahmoud** (Qatar), speaking on behalf of the Group of 77 and China, said that the developing countries had taken bold steps to reform their development policies; they had strengthened their economic policy environment and mainstreamed good governance at all levels. If those efforts were to bear fruit, however, they must be supported by good governance at the international level.

67. Foreign direct investment flows were still unevenly distributed; and there was a strong need for measures to address that problem. Official development assistance fell far short of the internationally agreed target of 0.7 per cent; that constituted a serious obstacle to efforts to achieve the Millennium Development Goals. International trade had not yet generated adequate resources to finance development needs. In that regard, the framework agreement adopted by the General Council of the World Trade Organization (WTO) must be worked out speedily in a manner that addressed developing countries’ concerns as expressed in the Monterrey Consensus.

68. Debt relief and debt sustainability were also issues that needed to be addressed as soon as possible in order to achieve the Millennium Development Goals. Debt relief should be treated as a source of financing for development, and the low-income countries, in particular the least developed countries, must receive preferential treatment. The developing countries must also be granted a greater role in all forums which formulated general policy recommendations, including codes and standards for the financial sector, in particular in the Bretton Woods institutions and WTO.

69. In that context, he said that the developing countries had adopted a series of policy measures to reduce their exposure to external developments which had a negative effect on their economies. Those measures were aimed at generating additional resources for development financing, while recognizing the need to promote better international financial governance.

70. The Group of 77 and China therefore welcomed current efforts to identify innovative sources of financing. Proposals in that regard deserved serious consideration, but they could only serve to complement other proposals regarding financing for development mentioned in the Monterrey Consensus. Unfortunately, there was a lack of political will to mobilize sources of financing effectively. The developing countries acknowledged that they bore the primary responsibility for their own development, but their efforts must be supported by the international community, in particular through effective debt relief and the removal of barriers which prevented full market access for their products to developed country markets.

71. **Mr. Zhang** Yishan (China) said that achievement of the Millennium Development Goals faced enormous challenges. There was a serious lack of financial resources which impeded the economic development of the developing countries and slowed down the achievement of those Goals.

72. His Government had always maintained that financing for development was primarily the responsibility of national governments but that international support was also of vital importance. The Secretary-General had pointed out that, in order to achieve the minimum targets of the Millennium Development Goals by 2015, the volume of official development assistance would have to be double that of 2001.

73. The developed countries should take speedy and practical action to increase the financial resources allocated to the developing countries under ODA; such assistance was not an act of charity, but was necessary to balance the distribution of benefits at the global level. At the same time, the multilateral development agencies should strengthen the role of the transfer of

resources and make poverty eradication their core mission.

74. The inequitable world financial, monetary and trade systems must be reformed in order to promote economic growth in the developing countries. The participation of the latter in the decision-making processes of the multilateral economic and financial institutions must also be strengthened. The developed countries should steer private financial flows to developing countries, facilitate the access of developing countries to their markets, increase the transfer of technologies and expand the special drawing rights and their scope of use. Greater efforts should also be made to provide debt relief to the heavily indebted poor countries.

75. The competent world institutions should cooperate more closely and coordinate their actions and the United Nations should play an active role, and strengthen cooperation with the Bretton Woods institutions and WTO as well as with regional agencies.

76. A high-level meeting on financing for development and a high-level plenary meeting on the Millennium Development Goals would be held in 2005; he hoped that the two meetings would strengthen coordination and communication and promote the establishment of a framework to evaluate the Millennium Development Goals and monitor the implementation of the Monterrey Consensus.

77. His delegation believed that innovative methods of financing for development would revitalize efforts in that area and bring in new ways of thinking. It therefore welcomed the active efforts made in that regard by Brazil, Chile, France and Spain.

78. **Mr. Basu** (India) said consideration of innovative sources of financing for development would help to restore the authority of the General Assembly and re-establish the primacy of the economic agenda at the United Nations. The Organization should play an important role in discussions relating to trade, external debt and monetary and financial questions and provide political guidance to the work of the specialized agencies, in particular the World Bank, IMF and WTO.

79. The International Conference on Financing for Development had reaffirmed the need to increase aid and trade and to reduce the external debt of the developing countries, which must themselves introduce domestic reforms in order to encourage foreign direct investment. At Monterrey, the donor countries had committed themselves to a 7 per cent per annum increase in resource flows to the developing countries up to 2006. That would increase official development assistance to $76.5 billion, a figure which was still far below the internationally agreed target of 0.7 per cent of the developed countries’ gross national income.

80. The technical group on innovative approaches to financing for development, recognizing the need to increase the amount of aid available to finance the Millennium Development Goals, had studied various proposals for innovative ways to finance development, ranging from instruments that would be relatively easy to implement, such as voluntary donation schemes, to other tools that would require broad agreement. The challenges to the implementation of such mechanisms required further detailed study, but any resources raised through those mechanisms should truly be in addition to, and should not affect, current ODA flows. The summary of the study conducted by the World Institute for Development Economics Research of the United Nations University (UNU-WIDER) stressed that the international community must ensure that those mechanisms provided additional financing. Moreover, consideration of those proposals should not detract from the obligations of the developed countries to honour their ODA commitments. The notion of a double dividend did not mean that there was no cost. It was therefore necessary to ensure that new mechanisms did not place a greater burden on the developing countries or have an adverse effect on the existing level of resource flows or the need for greater representation of the developing countries in the decision-making processes of the international financial institutions.

81. Innovative sources of financing were necessary to irrigate the economic desert created by liberalization, privatization and globalization. The least that could be done was to eliminate the huge subsidies to the farming sector in the developed countries. The tremendous increase in financial movements was perhaps the most salient feature of globalization, but inflows of capital placed upward pressure on the exchange rates, leading to de-industrialization. A tax on speculative transactions was therefore necessary to stabilize financial markets in the developing countries and finance development. Special drawing rights could also play a positive role. In sum, the international community must assist the developing countries in

their efforts to meet the challenges arising from globalization.

82. The situation demanded the restoration of the United Nations as a planet-wide system setting the international policy paradigm and guiding the Bretton Woods institutions and WTO. At WTO, the developing countries must insist that the developed countries should eliminate their subsidies and guarantee access to their markets. Although the average export price of commodities had dropped sharply, resulting in a drop in the export earnings of the developing countries, the import prices of industrial products had continued to increase, further exacerbating the adverse terms of trade for the developing countries.

83. His delegation recognized the need for an effective mechanism to assess the implementation of the commitments and agreements reached at the Monterrey Conference. The annual meetings of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD should play a useful role in that regard.

84. **Mr. Sawar** (Pakistan) said that the Monterrey Consensus reflected the resolve of the international community to mobilize financial resources for poverty eradication and the promotion of sustainable development. The process envisaged a global partnership for development based on an integrated strategy for the mobilization of resources at the national, regional and international levels through trade, financial and technical assistance and debt relief.

85. Pakistan attached great importance to the integrity of the Monterrey process and emphasized the need for a holistic approach. In order to deliver the objectives sought, it was imperative to establish an intergovernmental institutional follow-up mechanism.

86. The developing countries were taking important steps to improve their governance, regulatory frameworks and infrastructures in order to attract greater resource flows for development. The international community should encourage such efforts, particularly those aimed at the low-income countries. The world was also attaching growing importance to the issue of corruption, as the flight of capital was a drain on the meagre resources of the poor countries and had a negative impact on their development. Appropriate mechanisms should therefore be devised to assist their efforts to ensure the repatriation of the wealth looted by corrupt individuals.

87. Pakistan welcomed the new WTO framework agreement and hoped that the resumed Doha process would address the needs and concerns of the developing countries in an effective and expeditious manner. The integration of the developing countries into the global economy should not be seen as an act of charity; in fact, the developing countries had as much to gain from that process, as was shown by a recent study which estimated that 70 per cent of the United States export growth in recent years had been due to the expanding demand in the emerging markets.

88. The various proposals on innovative financing mechanisms should be discussed at the intergovernmental level, a process which Pakistan would like to see move forward. Pakistan had emphasized the need to explore financing through innovative means in addition to the conventional sources of financing. External debt-related payments were a major drain on the limited resources of the poor countries and undermined their ability to meet the Millennium Development Goals. More vigorous efforts were therefore needed to write off debts, not only for the highly indebted poor countries (HIPC) but also for other countries which faced increasing difficulties in meeting their debt-service commitments. Similarly, in the context of debt swaps for social and environmental development actions, the developed countries should not give up on the target of 0.7 per cent. In that regard, he particularly welcomed the commitment of the United Kingdom and France to double the amount of their national income earmarked for official development assistance.

89. **Mr. Løvald** (Norway) said that lack of political will was the main obstacle to financing for development. National governments had the primary responsibility for economic and social development in their countries. In a globalized economy, however, international factors played an increasingly important role. Good governance and the rule of law should therefore be pursued simultaneously at both the national and international levels.

90. The developed countries must meet their commitments on trade, aid and debt relief under the Millennium Development Goals, while the developing countries must demonstrate their willingness and ability to improve governance, fight corruption and pursue sound economic policies.

91. Private investment, both domestic and foreign, was the most important source of long-term financing for development. Governments should therefore adopt

proactive policy measures, not only to improve the livelihoods of people in the short term, but also to create an attractive investment climate in the long term. The 2001 level of ODA therefore needed to be doubled if the Millennium Development Goals were to be achieved by 2015. Additional financing was also needed to enable developing countries to achieve debt sustainability. His Government attached great importance to those challenges. In 2005, its ODA would be increased to 0.95 per cent of its gross national income as a step towards the ultimate goal of 1 per cent. On the question of debt, he welcomed the extension of the HIPC Initiative and urged all donors to shoulder their fair share of the financial requirements, including 100 per cent bilateral debt cancellation. Norway had launched a plan of action in which debt relief was seen as an instrument for development, with the emphasis on countries emerging from war and conflict. It would refrain from claiming interest and repayments from post-conflict countries and hoped that other creditors would follow suit. It was also providing financial support to the multi-stakeholder consultations on sovereign debt for sustainable development in the context of the follow-up to the International Conference on Financing for Development.

92. All development strategies should be based on sustainability that was not only financial, social and economic but also environmental, as had been made clear at the Johannesburg World Summit on Sustainable Development, which had stressed the need for improved coherence between economic, social and environmental policies.

93. The challenges produced by rapid urbanization were immense; over one billion people now lived in slums. In that context, he welcomed the innovative efforts of the United Nations Human Settlement Programme to link city financing needs with domestic and foreign capital. Norway would closely study the results of the pilot project under way.

94. **Ms. Ndiaye** (Deputy Director-General of the International Organization for Migration) said that remittances were an important source of finance for developing countries; in particular, they were an important source of foreign exchange that enabled countries to acquire vital imports or to pay off external debts and made it possible for poor families to improve their quality of life.

95. While the role of migrants as agents of development should be emphasized, it was also vital to ensure that mechanisms designed to encourage remittances did not become a substitute for ODA. It was therefore essential to recognize that such remittances were private funds and to promote them.

96. An improved knowledge base was needed in order to formulate effective remittance management strategies that would enhance development. A better understanding of the relationship between remittances and migration trends and policies was also needed. In that context, the International Organization for Migration (IOM) was undertaking policy research in order to equip governments with the capacity to define comprehensive remittance management policies.

97. Initiatives were also needed to improve remittance services to migrants and reduce transfer costs. According to the World Bank, a reduction of 5 per cent in those costs could increase flows to destination countries by up to US$ 5 billion. IOM would be working with the World Bank to coordinate international efforts to improve the quality of data collection and reporting on migration and remittances.

98. It was also essential to optimize the development impact of remittances. In Tajikistan, IOM was working in partnership with the United Nations Development Programme (UNDP) to support microcredit services and community development financed partly from migrant remittances, that would allow access to microloans.

99. IOM was also working with governments, civil societies and institutional partners in a number of other areas connected with the follow-up to the International Conference on Financing for Development. It was organizing an international workshop on migration and development, to be held in 2005, that would examine policy coherence and the mainstreaming of migration into development policies. The impact of migration on the achievement of the Millennium Development Goals would also be discussed.

100. The success of policies put in place by some countries in order to attract remittances clearly demonstrated the potential for supporting the role of migrants as agents of development.

101. IOM firmly believed that poverty reduction strategy papers should systematically consider migration and migration management strategies such as remittance management as a poverty-reduction tool.

The meeting rose at 1.15 p.m.