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Chairman: Mr. Wali . . . . (Nigeria)

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The meeting was called to order at 3.10 p.m.

Agenda item 51: Follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/60/111, 219 and 289 and Add.1)

1. **Mr. de Rojas** (Director, Financing for Development Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General (A/60/289), said that it provided an update on recent developments in assistance for development, external debt, trade, and systemic issues. It should be read in conjunction with the four other major reports relating to the Monterrey agenda issued earlier in 2005 (report, first-page summary) and with the *World Economic and Social Survey*.

2. Recent measures to increase international financial and technical cooperation for development by the European Union and the Group of Eight (G-8) (report, paras. 8-9) had been reflected in the Outcome of the 2005 World Summit, as had the Paris Declaration on Aid Effectiveness with its more than 50 commitments to improve the quality of aid (report, para. 10). Progress had also been made under G-8 auspices in finding new ways to increase the sources of financing, especially the innovative pilot project sponsored by the Global Alliance for Vaccines and Immunization and the Action Against Hunger and Poverty initiative (report, para. 14).

3. On the question of external debt relief, the main development had been the G-8 proposal to cancel the official debt or certain heavily indebted poor countries to the World Bank, the African Development Bank and the International Monetary Fund (IMF) (report, paras. 16 ff.). That was surely cause for celebration, although the details still needed to be worked out. But the problem remained of the external debt of many other countries not in that category, and the international financing institutions involved would need additional funds so that they could continue to function normally without reducing their loans to such countries. Consequently, it was more important than ever to reach a consensus on what constituted debt sustainability.

4. In the area of world trade, the forthcoming Sixth Ministerial Conference of the World Trade Organization (WTO) in Hong Kong would be crucial for the success of the Doha Round (report, paras. 24-30), which it was hoped would be completed by the end of 2006 in a way that fulfilled its development promise. One of the most important aspects of the Doha work programme was the focus on commodities. Commodity-dependent countries, particularly in Africa, would require an integrated approach that fostered diversification of exports, added value, greater supply capacity, management of price volatility and new financing schemes. The G-8 had announced the creation of a trust fund based on voluntary contributions to support poor countries facing commodity price and other external shocks; and there had been other welcome proposals for the creation of an aid-for-trade fund and for the expansion of South-South trade.

5. The Monterrey Consensus had covered two broad groups of systemic issues. The first related to the structural features of the international monetary and financial system and the possible vulnerabilities they generated for the world economy and for developing countries in particular; the second related to the institutional design of the current system and the capacity of different countries to act effectively within the system (report, paras. 31 ff.).

6. The widespread concern about global macroeconomic imbalances highlighted the importance of the first group of issues. Greater international cooperation would be needed to reduce them with the least risk to world economic growth and the least impact on the least developed countries. The evolution of the global financial system had brought with it potential increases in systemic risk, especially the growing likelihood of boom-and-bust cycles; and therefore all countries had to incorporate macroprudential elements into their financial regulation to compensate for the tendency of the financial markets to behave in a pro-cyclical manner.

7. The institutional issues were being addressed in the discussions on the IMF medium-term strategy, and they should help to define the Fund’s role in changing the global economic environment and ensure its effectiveness and relevance for all member countries, which must participate as equal partners in any adjustments to the system. International governance structures had to be broadened to include the developing countries and the countries with economies in transition in international economic decision-making and norm-setting. International cooperation on tax policy also had significant systemic implications, and the forthcoming first meeting of the Committee of

Experts on International Cooperation in Tax Matters, newly established by decision of the Economic and Social Council, was to be welcomed.

8. The Committee should bear in mind in its discussions the relevance of two earlier reports by the Secretary-General (A/59/822 and A/59/800), which had a bearing on two of the pillars of the Monterrey Consensus — the mobilization of internal financial resources and the promotion of international private flows — that had not been covered in the report under consideration.

9. Two important events related to the need for staying engaged (report, paras. 37-44) had taken place in 2005: the annual meeting of the Economic and Social Council with the international financial and trade institutions, and the High-level Dialogue of the General Assembly on Financing for Development, both of them fruitful. There had also been a number of significant regional initiatives, and the innovative multi-stakeholder consultations on financing for development had been very successful. Furthermore, as a possible way of strengthening intergovernmental follow-up, one of the Secretary-General's reform recommendations had been the establishment of an intergovernmental mechanism allowing the Economic and Social Council to engage its counterparts in the financial and trade institutions, which could be either an expanded Bureau or a new, regionally balanced executive committee. The Monterrey follow-up machinery unquestionably needed improvement, particularly in the Council's preparations for its annual meeting with the international financial and trade institutions and in the case of a possible follow-up conference on the implementation of the Monterrey Consensus.

10. **Mr. Trepelkov** (Chief, Multi-stakeholder Engagement and Outreach Branch, Financing for Development Office), introducing the report of the Secretary-General on multi-stakeholder consultations on financing for development (A/60/289/Add.1) said that the programme of consultations between experts from the official and the private sectors had consisted of 21 meetings in late 2004 and early 2005 covering five substantive areas.

11. The series of consultations on building inclusive financial sectors for development (report, paras. 6-14) coordinated by his Office, had produced a "Blue Book" to serve as a reference point for national multi-stakeholder discussions in developing countries and help Governments shape strategies in that area. It identified the key constraints on financial inclusion, pointed to areas in which strategic policy choices were likely to make the biggest difference to the future development of financial inclusion and offered a series of strategic options, at the same time urging stakeholders in each country to identify country-specific issues.

12. For the consultations on sovereign debt for sustained development (report, paras. 15-19), a paper on debt management issues had been prepared by his Office, in consultation with major stakeholders, focusing on three main areas: how to make the concept of debt sustainability operational, how to manage sovereign debt for policy coherence and how to contain risk and reduce uncertainty. Views had converged on the absence of agreement on the concept of debt sustainability, and the need for an improved mechanism to achieve cooperative debt workouts from insolvency crises; the two points themselves converged. In a follow-up to these consultations, his Office was working with the United Nations Development Programme (UNDP) to develop an operational definition of development-oriented debt sustainability by assessing the relationship between debt sustainability and the achievement of the Millennium Development Goals in heavily indebted poor countries and critically indebted countries.

13. The consultations on public-private partnerships to improve the reach and effectiveness of development assistance (report, paras. 20-28), coordinated by the World Economic Forum, had focused on the areas of basic education, health, and water and sanitation, where private sector participation was often politically contentious. The general findings were: that persistent development challenges required new approaches and new partnerships that drew on the expertise of the private sector; that increasing amounts of private resources were being directed to development-oriented public-private partnerships; and that public-private partnerships had to be better integrated into the structuring and delivery of aid programmes, and should be used more widely. The cross-cutting and sector-specific recommendations of the consultations would be the subject of a presentation in the Committee by the World Economic Forum.

14. Other consultations had been held by the World Economic Forum on how multilateral development

banks and bilateral aid agencies could improve the climate for private investment (report, paras. 29-30) by doing more to mitigate risk and by working with the private sector to increase support for capacity-building in financial governance. Global capital markets were unlikely to fund the infrastructure needs of developing countries without government support to cover unacceptable risks. There was considerable unused capacity in multilateral development banks to provide additional financing. Recommendations on how to unlock such “trapped capital” in both private and public institutions included the strengthening of risk mitigation products, project development capacities and financial governance, and institutional changes in development agencies.

15. The consultations on systemic issues (report, paras. 31 ff.), organized by the New Rules for Global Finance Coalition, focused on the structural features of the international monetary, financial and trading systems, the potential vulnerabilities they posed for developing countries and the institutional design of the international financial system. Many specific proposals had been made (report, paras. 32-51) for the prevention and resolution of financial crises, the securing of viable sources of domestic finance, and the improvement of the governance of the international financial system.

16. Among the possible next steps in connection with the multi-stakeholder consultations (report, paras. 52-56) would be to continue exploring the same topics and recommendations with a view to implementing them. Otherwise, a new 2006-2007 series of consultations might be warranted on other Monterrey policy areas such as improving the regional regulation of financial sectors, rethinking the role of national development banks and securing the financing of basic services.

17. **Ms. Paredes-Prieto** (Spain) said that, since the Secretary-General’s report (A/60/289) had been written, three other Governments — Italy, Switzerland and Spain — had joined France and the United Kingdom in the pilot project for an international finance facility sponsored by the Global Alliance for Vaccines and Immunization.

18. **Mr. Zalaquett** (Chile) expressed regret that in paragraph 14 of that report, Chile, one of the first Governments to have joined the Hunger and Poverty initiative, had not been mentioned as the very first to have announced a voluntary contribution under the pilot project in question. As of January 2006, Chile would impose a 2-per-cent levy on all proceeds from the sale of air tickets, to be applied to a fund to combat HIV/AIDS.

19. **Mr. Kariuki** (United Kingdom) pointed out that it had been announced that very morning that the proposal referred to in paragraph 16 of the report (A/60/289) had become a reality: the international financing institutions had approved it and the funds to compensate them for the debt forgiveness had been guaranteed by the Group of Eight. Also, he wished to note that six countries, not just France and the United Kingdom, had joined various agencies and the Gates Foundation in launching the international finance facility for immunization referred to in paragraph 14 of the report.

20. **Mr. de Rojas** (Director, Financing for Development Office, Department of Economic and Social Affairs) thanked the delegations that had just provided information not reflected in the report, which had been completed in July.

21. **Ms. Schmidt** (Director of the Office for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing Countries) delivered a statement on behalf of the Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

22. The impact of growing inequality and the effects of globalization on the least developed countries meant that they required support if they were to set out on the path to sustainable development. An in-depth analysis of the least developed countries’ requirements had confirmed the importance of ODA, because they were caught in a poverty trap, where slow growth and low income limited domestic savings. Their ability to attract foreign direct investment was also marginal. They had, however, been heartened by the outcome of the 2005 World Summit, because it had reaffirmed the Monterrey Consensus and the developed countries’ commitment to a global partnership for development. The situation of the least developed countries was indeed dire; if implementation of the Millennium Development Goals continued at its current pace, the goal of eradicating hunger and poverty by 2015 would not be attained. The gradual increase in ODA over the previous two years and the undertakings given by the European Union and the Group of Eight at Gleneagles were therefore most welcome. On the other hand, the

ODA debate also concerned the quality of the aid provided, as that greatly influenced its effectiveness. Only when aid was fully aligned with national development strategies could it really produce results. The least developed countries had made great strides towards creating an enabling environment for the implementation of those strategies. That, together with the fact that budget support had proved to be a good method of transferring resources, ought to encourage donors to make increasing use of that channel. Untied aid and assistance provided on a predictable basis were vital, since medium-term and long-term ODA flows to the least developed countries reduced uncertainty about meeting national development goals on schedule.

23. She hoped that donors would allocate the lion's share of increased development assistance to the least developed countries in order to make sure that the goals of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010 would be achieved in a timely fashion.

24. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, said that the decision of the European Union to set a timetable for achieving the target of allocating 0.7 per cent of GDP to ODA was a good example which deserved to be followed by other developed countries. Although additional sources of financing for development had lent fresh impetus to discussions, it was necessary to make greater headway towards results which would have a real impact of the lives of those most in need.

25. Notwithstanding developing countries' efforts to promote domestic resource mobilization and attract foreign investment, the shortfall in the volume of the resources they needed for sustained economic growth and poverty eradication called for a substantial increase in additional resources. Development partners' promises that they would back developing countries' efforts to devise and execute national development strategies must be honoured. Domestic resources should be complemented by external financing through international trade and investment and ODA. There was likewise a great need for source country measures to mitigate the impact of the excessive volatility of short-term capital flows and to sustain sufficient private financial flows to developing countries.

26. The United Nations had a critical part to play in promoting development cooperation and shaping the global economic environment. Its role could be expanded if more core funding were provided for development cooperation. The Economic and Social Council ought to be empowered to support that endeavour on the basis of the 2005 World Summit Outcome and greater attention should be paid to the Council's role in overseeing the implementation of goal 8 of the Millennium Development Goals.

27. As far as policies were concerned, the political conditions surrounding development assistance and concessionary financing must be removed, because they were impeding recipient countries' progress and might undermine the fulfilment of commitments to give effect to the Monterrey Consensus. It was also vital to address global systemic issues in order to enhance the coherence of the international monetary, financial and trading system. To that end, more genuine attempts to enhance developing countries' participation in global economic decision-making were required.

28. The challenge ahead was implementation. It was therefore necessary to identify ways of building on the elements of the Monterrey Consensus. A follow-up conference on financing for development would be an opportunity for taking stock of achievements to date and of what still needed to be done to move forward. Qatar's offer to host such a conference should be accepted by the General Assembly.

29. **Mr. O'Neill** (United Kingdom), speaking on behalf of the European Union and nine European countries which aligned themselves on his statement, expressed strong support for the partnership between developed and developing countries mapped out in the Monterrey Consensus. The European Union was strongly in favour of promoting country-led sustainable development through action on the volume and effectiveness of aid, debt relief, innovative financing mechanisms and trade. It was very important that the reform of aid delivery and management mentioned in the Paris Declaration on Aid Effectiveness should be carried out.

30. Domestic and external resources could best be mobilized in a domestic environment ensuring transparency, accountability and stability. Since the entry into force of the United Nations Convention against Corruption would be a big step forward in that direction, all Member States which had not done so should sign and ratify the Convention. The European Union was determined to support developing countries' efforts to create the requisite enabling environment and

it believed that the mobilization and allocation of resources should increasingly reflect partner countries' own priorities.

31. The Doha Round must deliver real gains in the field of trade. A comprehensive pro-trade agenda would generate benefits for all trading partners, especially developing countries. Accordingly, every effort must be made to secure the successful conclusion of the Doha Round.

32. An increase in the volume of ODA was urgently needed in order to achieve the Millennium Development Goals. Four European Union States already exceeded the target of devoting 0.7 per cent of their gross national income (GNI) to ODA. A new collective GNI/ODA target had been fixed of 0.56 per cent by 2010 and the new member States had undertaken to achieve the 0.7 per cent target by 2015. As a result, European Union aid should exceed $80 billion in 2010. At the same time, the European Union would increase its financial assistance to sub-Saharan Africa and would channel at least 50 per cent of the agreed increase in collective ODA to the African continent, while fully respecting individual States' priorities in development assistance.

33. It was equally essential to improve the quality and effectiveness of aid. The European Union was fully committed to timely implementation of the Paris Declaration on Aid Effectiveness and to that end would devise new, more predictable and less volatile aid mechanisms supplying more stable resources. The United Nations system also had an important part to play in enhancing aid effectiveness by securing coherent, well-coordinated country-level operations.

34. Innovative financing mechanisms could help to raise and deliver the financing necessary to achieve the Millennium Development Goals. A group of European Union States would implement the International Finance Facility to frontload resources for development. Some States would be introducing a solidarity levy on airline tickets as a means of funding development projects, while others were wondering whether to join in those initiatives or simply to increase traditional ODA.

35. Given that migrants' remittances could be a substantial source of financing for development, efforts by Governments and stakeholders to reduce the cost of transferring such remittances were welcome. Yet such private transfers must complement, not replace, other sources of financing for development.

36. The European Union approved of the G-8 initiative to cancel the outstanding debt of eligible heavily indebted poor countries to the International Monetary Fund (IMF), the International Development Association (IDA) and the African Development Fund, but it was vital to ensure that the problem of unsustainable debt would not recur. It was also important to build inclusive financial sectors, since access to financial services could make a sizeable contribution to poverty eradication. Similarly, it was essential to ensure that developing countries and countries with economies in transition could really make their voice heard at the international financial institutions.

37. The balance of the debates on the Monterrey Consensus over the previous 12 months had been positive, but more progress still had to be made. Careful consideration should be given to the optimum timing and format of a Monterrey review. In that connection, it would be wise to assess a number of factors, including the World Summit Outcome, rather than automatically resorting to the "plus 5" formula.

38. **Mr. Chowdhury** (Bangladesh) said that, sadly, the gap between rich and poor had widened since the International Conference on Development Financing held in Monterrey in 2002 and most of the developing countries had a long way to go to attain the Millennium Development Goals. Those which had achieved a modicum of success had done so through a combination of domestic effort supplemented by the backing of a broad partnership of stakeholders.

39. His Government had undertaken a series of economic and political reforms to foster an enabling business environment and, as a result, it had recorded considerable advances in the socio-economic sector. Nevertheless, while his country was on track towards meeting some of the Millennium Development Goals, it was still far from goal 1 and would need effective support from its development partners if it was to achieve all the Goals on time.

40. While the upward trend in ODA was appreciated, it did not come anywhere near the target of 0.15 to 0.20 per cent of GNP. He therefore urged all developed countries to honour their commitment to channel 0.7 per cent of their GNP to ODA.

41. International debt relief measures were anything but effective. Debt sustainability ought to be redefined in terms of achieving the Millennium Development Goals. The G-8 proposal to cancel 100 per cent of the debt owed by heavily indebted poor countries should be extended to all the least developed countries and a road map for its immediate implementation should be drawn up. It would be wise to make all future assistance unconditional and to base it on grants. The distribution of ODA must be rational and not politically motivated. The blueprint contained in the Paris Declaration on Aid Effectiveness warranted careful consideration.

42. An international finance facility might be a useful source of additional resources if it minimized transaction costs and ensured country ownership through direct budget support. It must also guarantee the predictability of the flow of funds and be transparent. The funds disbursed must complement traditional sources and no conditions should be attached.

43. Since international trade was an engine for development, the international community would be well advised to abolish duties and quotas on all exports from the least developed countries. Nor should their products be subjected to unrealistic rules of origin. After the phasing out of the MultiFibre Arrangement, there was a growing need for trade adjustment. The proposed aid for trade fund was therefore a significant new move.

44. In view of the fact that migrants' remittances had become an important source of foreign exchange for many developing countries, labour from those countries ought to be given wider access to developed countries and migrant workers' rights should be legally protected. The transfer of remittances should be unhindered and transaction costs minimal.

45. Every effort should be made to ensure the successful conclusion of the Doha Round by securing increased market access for developing countries, more flexible rules, longer transition periods for implementation and a waiver from many reporting requirements, while allowing more room for countries' own development strategies.

46. It would be helpful if a significant portion of foreign direct investment were to be directed towards the least developed countries and the latter given an opportunity to participate more in the decision-making processes of international financial institutions. An immediate scaling-up of efforts and additional resources were required in order to address the critical challenges facing the poor. A true partnership involving all stakeholders, which rewarded performance and genuine reforms, might bring about a real improvement.

47. **Mr. Liu** Liqun (China) said that, despite a reversal of the downward trend in ODA and the greater effectiveness of ODA, the developing countries' realization of the Millennium Development Goals was being hampered by a dearth of financing for development. Poor countries still lacked the capacity for sustainable development. Given that the insufficient volume of development aid, instability in the financing system and the increasing globalization of the economy made the issue of financing all the more acute, the international community should strive to put the Monterrey Consensus into practice.

48. His Government welcomed the offer of Qatar to host a follow-up conference to the International Conference on Development Financing held in 2002. While the primary responsibility for development lay with the Government of each country, international support was crucial. The international community should therefore seize the opportunity of a follow-up conference to ensure that the undertakings given at the World Summit were honoured.

49. ODA must be increased and debt reduced if international development goals were to be achieved. For that reason, the G-8 decision to cancel the debt of 18 heavily indebted poor countries was both timely and necessary. Furthermore, it was vital to heighten the efficiency of ODA, together with that of the international economic and financial system. The widening North/South gap and recurrent financial crises were a sign that the Bretton Woods system was in need of reform.

50. Since trade was the key to development, the Sixth WTO Ministerial Conference should take account of Member States' concerns and strive to bring the Doha Round to a successful conclusion. It was also necessary to explore new sources of financing for development, because innovative financing mechanisms might prove a good complement to ODA. His Government welcomed both the initiative of the United Kingdom to set up an international finance facility for

immunization and the French Government's international assistance pledges.

51. All countries ought to strengthen their and capacity for raising funds on the domestic market and do their utmost to improve their macroeconomic policy, governance and investment climate. What was needed was a long-term approach coupled with systemic reform. Market mechanisms allowing the business world to play a bigger role should also be used. At the same time, international technical assistance would be required while countries gathered experience on how to boost their capacity for self-financing.

52. China had acquired several years' experience in attracting foreign investment to promote development. Its national policy was predicated on open markets. As domestic and international markets were increasingly interconnected, it was encouraging its firms to become global players as part of a mutually beneficial strategy. It had long been China's policy to provide business opportunities as a means of reducing poor countries' debt and to use both bilateral and multilateral channels to give aid to developing countries. In the future, it would also exempt some products from the least developed countries from duty and remit the debt of the heavily indebted poor countries. In addition, it would provide concessionary loans and medical assistance.

53. His Government was willing to explore the issue of financing for development, swap experience, deepen cooperation and promote joint development.

54. **Mr. Chhatwal** (India) said that the Monterrey Consensus stressed the importance of enhancing the coherence and consistency of the international monetary, financial and trading systems. Although complete policy coherence was neither theoretically conceivable nor practically feasible, efforts should be made to remove the most obvious inconsistencies and strive for great coherence where it was needed. That could be accomplished by deepening understanding of how different policies affected the development process and by mobilizing greater political consensus on the need to make the decision-making system more participatory. The voice and participation of developing countries in the Bretton Woods institutions remained a matter of concern and the United Nations would have to keep a vigilant eye on the process of reform in those institutions.

55. Debt cancellation should not be restricted to loans from IMF and recycling aid and debt. He emphasized the importance of raising investment and savings rates by meeting ODA targets and using innovative sources of financing, of public sector investment, of transfer of resources and environmentally friendly technology, of the principle of special and differential treatment and of achieving Millennium Development Goal 8 on a global partnership for development. The United Nations must provide comprehensive political direction to the forthcoming WTO Ministerial Conference in Hong Kong in December 2005. The impact of the Outcome of the 2005 World Summit on the International Monetary Fund and the World Bank demonstrated that such direction was required and heeded.

56. With regard to innovative financing mechanisms, although there could be merit in front-loading the flow of aid, it was essential that ODA did not fall below a pre-committed level after the front-loading period. Robust and efficient mechanisms to track ODA flows should be established, particularly in the context of the recent debt relief initiatives. New mechanisms and innovative sources should not place increased burdens on developing countries or have a negative impact on enhancing their voice and participation in international financial institutions and decision-making processes.

57. The removal of global imbalances required a coordinated approach involving major global players and the International Monetary Fund had an important role in that regard. A major shift with respect to the focus and instruments of surveillance had occurred in the past two years, reflecting the efforts of IMF to meet the challenges of an increasingly integrated global economy. However, there were doubts about the effectiveness of instruments to strengthen surveillance. Since past financial crises had originated in the industrialized countries and advanced financial centres, improvements were needed in the effectiveness and even-handedness of the Fund's bilateral surveillance. Surveillance reports of advanced economies remained somewhat weak. While the role of Fund surveillance in programme countries was curative, in non-programme countries it was preventive.

58. His delegation recognized the need for an effective mechanism to assess the implementation of commitments and agreements reached at the International Conference on Financing for Development, particularly in order to build on the

agreements reached at the 2005 World Summit. It was not convinced that an expanded bureau or an executive committee, as proposed by the Secretary-General, was needed for the Economic and Social Council to engage with finance and trade organizations. The United Nations, through the Council as a whole, should ensure political management of the process. The annual meetings of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development should enable the Council to discharge its tasks effectively and efficiently. Greater synergy between those annual meetings and the biennial high-level meeting of the General Assembly was also needed. The United Nations should play a predominant role in managing the international macroeconomic agenda.

59. **Mr. Mwasha** (United Republic of Tanzania) said that the International Conference on Financing for Development had forged a partnership between developed and developing countries, the private sector and multilateral institutions. Although the developing countries had had higher expectations regarding the partnership, at least all countries were committed to remaining fully engaged — at the national, regional and international levels — for the purpose of ensuring proper follow-up to the agreements and commitments made.

60. The 2005 World Summit Outcome had reaffirmed the Monterrey Consensus and recognized that the mobilization of financial resources for development and the effective use of those resources were vital. Developing countries had committed themselves to mobilizing increased domestic resources, undertaken far-reaching economic and institutional reforms and embarked on trade liberalization and privatization. Many of the least developed countries had made significant sacrifices in order to qualify for full debt relief under the Heavily Indebted Poor Countries Initiative. Despite their efforts, countries were unable to mobilize sufficient resources domestically. That was a clear signal that factors other than good governance, the rule of law, democracy and the fight against corruption were required for resource mobilization.

61. He cited a number of economic statistics testifying to the growth of his country's economy over the past decade. Nevertheless, despite its efforts and the substantial increase in domestic resources realized, his country still fell far short of the resources required to achieve most of the Millennium Development Goals by 2015. ODA and other international sources of financing for development therefore remained critical.

62. The support of the international community, multilateral financial institutions and development partners for the efforts of developing countries was crucial if the unity of purpose and action forged in Monterrey was to be meaningful. The 2005 World Summit Outcome had failed adequately to address the imbalances, exclusions and undemocratic and discriminatory tendencies of the international trading system. The decision-making and norm-setting processes of WTO were still largely concentrated in the hands of developed countries, the conclusion of Doha Development Agenda was still a myth and the progress of negotiations in Geneva was disappointing. More disheartening was the failure of the World Summit Outcome to give clear political guidance and momentum to the forthcoming WTO Ministerial Conference in Hong Kong. If trade was truly to be an engine of development, it should be fair to all participating nations, rich and poor alike.

63. ODA remained a critical source of financing for development in developing countries. The commitment by a number of countries, particularly the European Union, to achieve the target of 0.7 per cent of GNP was encouraging. The additional US$ 50 billion required annually to enable the developing countries to achieve the Millennium Development Goals also had to be mobilized.

64. The principles of good governance, the rule of law, human rights and the fight against corruption were as important at the international level as they were at the national level. Reform of the international financial architecture was only one aspect of good governance at the international level. Developing countries deserved to be fairly represented in international financial institutions.

65. In conclusion, he noted that the average global per capita military expenditure was US$ 162 at a time when millions of people lived on US$ 1 or US$ 2 per day. That trend was morally indefensible.

66. **Ms. Alemán** (Peru) noted with regret that inequalities continued to widen and that, if current trends continued, the majority of developing countries would fail to achieve most of the Goals.

67. Her country was firmly committed to achieving the Goals and honouring the commitments adopted at

Monterrey with respect to a new global partnership for development. The partnership called for action within developing countries as well as by the industrialized countries. However, it placed excessive emphasis on ODA which, while contributing to poverty reduction, did not necessarily foster development.

68. Development encompassed much more than the Millennium Development Goals. It was necessary to lay the foundation for sustained economic growth fostered by productive and technologically advanced investment. Development also required creating decent employment and a large middle class, as well as upholding the rule of law.

69. An open international trading system and an international financial system based on transparent and non-discriminatory norms were required. The international community should continue to support the efforts of the developing countries to achieve sustainable growth, debt sustainability, job creation, poverty eradication and good governance. Accordingly, it should mobilize additional international financial resources for development, increase direct investment flows, transfer technology and reform the multilateral trading system.

70. With regard to debt sustainability, her delegation welcomed the recent G-8 initiative regarding a number of heavily indebted poor countries and was confident that the other countries in that category would benefit similarly. Such measures should be deepened and consideration should be given as soon as possible to providing debt relief for, or restructuring a significant part of the debt of, heavily indebted countries and low- and middle-income developing countries. Unsustainable debt burdens seriously undermined efforts to create employment and alleviate poverty in all developing countries.

71. Developing countries often had resources but were unable to use them to promote productive and non-inflationary growth. They required additional fiscal space in order to increase investment in health, education, nutrition, infrastructure, sanitation and housing. The expansion of infrastructure would generate employment, foster democratic governance and enhance the competitiveness of the economies of developing countries. Her delegation therefore welcomed the recognition by the World Bank and the International Monetary Fund that scaling up investment in infrastructure was a key to faster growth and progress in reducing poverty, and it looked forward to the progress report by the World Bank on the impact of fiscal space on growth and the achievement of the Millennium Development Goals.

72. **Mr. Khan** (Pakistan) said that domestic financing alone would not generate rapid development. Sizeable amounts of external financing in the form of grants, loans, export earnings, FDI and other capital market flows were also critical. ODA was the most important source of financing for the poorest countries. His delegation welcomed the commitment by most developed countries to the 0.7 per cent ODA target. It also welcomed the declaration by the Group of Eight in support of debt cancellation, time-bound commitments for increased ODA, and suggestions regarding additional innovative financing. The real impact would depend on how those schemes were actually implemented.

73. His country had the capacity for much faster and broader growth, particularly in the social sectors, and for infrastructure development. It was seeking additional assistance from the World Bank, the Asian Development Bank and bilateral donors in order to undertake infrastructure projects that would enable it to become a transit hub for adjacent regions.

74. Trade was a vital component of development and development financing. His country’s trade potential was constrained by inequities in the global trading system, including agricultural subsidies, high duties and tariff and non-tariff barriers. Low-income countries including his own would benefit from conscious policy measures to channel foreign direct investment to those countries. Such measures could include streamlining and enhancing the transparency of risk rating mechanisms, FDI in infrastructure development and arrangements to mitigate the impact of excessive volatility of short-term capital flows.

75. Financing could also be secured for development by managing existing resources more effectively; curbing the transfer of illicit funds from developing countries and ensuring their repatriation to the countries of origin; and reviewing the impact of tax havens on capital flight and tax revenue generation in developing countries. Furthermore, because good global governance must accompany good national governance, international economic policymaking should be conducted in an equitable manner.

76. The fact that the 2005 World Summit had assigned responsibilities to the Economic and Social Council with respect to promoting policy dialogue as well as on matters concerning development cooperation, post-conflict development and coordination within the United Nations system would prove extremely useful in the context of the Monterrey follow-up process. His delegation was ready to cooperate in efforts to devise effective follow-up action and welcomed the offer by Qatar to host the follow-up conference in 2007.

77. **Mr. Gass** (Switzerland) said that his country was firmly committed to the approach adopted at the Monterrey Conference. It was absolutely critical for the developing countries — which bore the primary responsibility for their own development — to formulate and implement effective strategies for combating poverty in keeping with the Millennium Development Goals and to create framework conditions favouring human and environmentally sustainable development. The industrialized countries, for their part, should increase development aid and enhance its quality and effectiveness, facilitate the transfer of resources and open their markets further to developing countries, particularly the poorest ones. They also should better coordinate their macroeconomic policies in order to strengthen global economic stability, thereby enhancing the predictability of financial flows to developing countries and countries in transition.

78. His country would continue to contribute very actively to the global partnership and would seek to involve civil society and private enterprises. It would continue to provide direct and indirect support for the key areas defined in the Monterrey Consensus, in particular, by strengthening good governance and the management skills of its bilateral partners. Switzerland would also pay special attention to the establishment of partnerships with the private sector in order to further increase the impact of its development cooperation resources. Approximately one half of his country's bilateral and multilateral commitments was allocated for programmes in sub-Saharan Africa.

79. Although Swiss Government expenditures on development aid would increase less rapidly in the coming years owing to mandated financial stringencies, after 2008 the Government planned to increase the percentage of its budget allocated to development aid.

80. His country had closely followed the international discussion on the mobilization of new resources for development. Although it still had some fundamental reservations about proposed mechanisms for mobilizing resources at the global level, it was willing to consider participation in more restricted measures of a voluntary nature.

81. The effectiveness and impact of development aid must be further improved through the combined efforts of all the partners involved. Major decisions had been adopted at the High-Level Forum on Aid Effectiveness earlier in 2005 to achieve substantial improvements in the harmonization and alignment of development aid. His country was fully committed to that collective effort.

82. Remittances by migrant workers to their developing or transition countries of origin were of increasing importance for development financing. Switzerland was a major country of origin for such remittances and believed that a number of important issues concerning those resources needed to be addressed. It welcomed the proposal to prepare a draft resolution on the subject.

83. His delegation welcomed the initiative on debt relief agreed upon by the Group of Eight and the political agreement reached at the Annual Meetings of the Bretton Woods institutions. The Group of Eight initiative complemented the HIPC Initiative and could contribute decisively to progress towards the Millennium Development Goals in beneficiary countries. However, it was essential to maintain the financial capacity of the International Development Association, IMF and the African Development Bank and to prevent countries that benefited from debt relief from subsequently accumulating unsustainable debt. A follow-up system should ensure that the resources freed through debt cancellation were allocated in a manner conducive to the attainment of the Millennium Development Goals.

84. International trade had a major role to play in combating poverty and his delegation was pleased that the Doha Work Programme paid particular attention to development concerns. It was important to make progress on all issues under negotiation and to achieve a balanced result among all the major issues that would be on the negotiating table at the WTO Ministerial Conference in Hong Kong. Given the vulnerable situations faced by many developing countries,

particularly the least developed among them, a certain degree of flexibility in trade agreements would be appropriate in order to take those situations into account. At the same time, the level of commitments must correspond to the countries' capacity for implementation.

85. His country would continue its development cooperation efforts in order to strengthen the capacity of developing countries to benefit from the implementation of trade agreements. The Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least Developed Countries in Their Trade and Trade-Related Activities had proved its worth and should be strengthened and extended to other beneficiaries. That would be preferable to launching new initiatives in that area.

86. **Mr. Chem** (Cambodia) said that his Government was studying the possibility of incorporating major foreign financial assistance into the national budget framework, in an effort to strengthen government ownership of the national development strategy while ensuring a successful partnership with the international donor community and financial institutions.

87. International financial markets had remained selective and were concentrated in developed countries. International trade and finance had become more unbalanced than ever, threatening to destabilize the whole world economy. There was thus an obvious urgency to address complicated and sensitive market issues and to reform the international financial architecture.

88. In order for developing countries to overcome poverty, an effective increase in ODA was needed. All developed countries should honour their commitments to developing and least developed countries as stated in the Brussels Programme of Action for the Least Developed Countries. At the same time, ODA should reflect recipient country needs and priorities. Over the years, many countries had established democratic institutions to ensure good governance and sustainable economic development. However, in the absence of universal measures regarding transparency, mutual accountability and good governance, double standards often arose and placed developing countries in an unfavourable position. Cambodia was therefore in favour of a level playing field that would ensure a viable and efficient partnership at the national, regional and international levels.

89. **Mr. Gaouaoui** (Algeria) said that levels of ODA remained inadequate despite the increases achieved since the Millennium Summit. His delegation welcomed recent initiatives and decisions on a schedule for increasing ODA, so as to honour the commitment of 0.7 per cent by 2015. It also noted with satisfaction the additional commitments to increase assistance made by the Group of Eight at Gleneagles to about $50 billion a year by 2010 and to double aid for Africa. Aid should not be conditional, and developing countries should, in the exercise of their sovereignty, be responsible for their own national development strategies.

90. Other sources of financing for development must also be considered. The different debt-relief initiatives for heavily indebted countries, such as the Heavily Indebted Poor Countries (HIPC) Initiative, were commendable. Only 18 of the 38 eligible countries had managed to reach the completion point in 2005. His delegation also welcomed the decision of the Group of Eight to cancel the outstanding debt of those 18 countries. Those initiatives, however, would only alleviate the debt of the beneficiary countries but would not solve the problem of the need for liquidity to finance development; increased aid was needed.

91. Current WTO negotiations and the forthcoming Ministerial Conference in Hong Kong should reaffirm and reinforce the development dimension of the Doha Development Agenda. The elimination of agricultural subsidies on the part of developed countries and increased opening up of markets to products from developing countries would enable those countries to mobilize substantial resources for the struggle against hunger and poverty. A one per cent increase in the developing countries' share in international trade would generate financial flows well above the $50 billion committed for ODA. An open, fair, equitable and non-discriminatory world trade system was essential.

92. Innovative sources of financing should be used to fight hunger and poverty and deal with pandemics.

93. **Ms. Laohaphan** (Thailand) said that her delegation welcomed the positive initiative in the area of debt relief and cancellation but remained cautious about its practicality and the modalities for effective implementation. It must not compromise the ability of

the developed partners and the international financial institutions to continue to provide grants and concessional loans to developing countries. The initiative should be extended, where appropriate, to financially handicapped low-income and middle-income countries facing serious debt burdens.

94. Developing countries must make the best use of the released resources, through adoption of sound and sustainable national development strategies. Measures such as enhanced tax collection efforts, transparent management of public expenditure and prioritization of public investment to build up overall economic capacity were necessary to create a strong foundation for future growth.

95. In 2002, the Association of Southeast Asian Nations (ASEAN) had launched the Asian Bond Markets Initiative aimed at utilizing regional savings in financing development, not only in Asia but also the rest of the world, especially in the developing world. In 2003, key Asian central banks had established two Asian Bond Funds with capital of $3 billion. The next step would be to issue regional-currency-denominated bonds.

96. ODA should be directed to the specific needs of developing countries and delivered in a timely manner. Increasing the quality and effectiveness of aid was no less important than increasing its volume. In 2003, Thailand had contributed 0.13 per cent of its gross national income to ODA, and 90 per cent of that amount had gone to least developed countries. Her delegation welcomed the proposals to reduce conditionalities and to conduct an analysis of the social impact of ODA.

97. The issues of elimination of export subsidies, especially in agriculture, and reduction of trade-distorting measures and domestic support, as well as the matter of trade capacity-building, especially for least developed countries, should be given special attention at the WTO Ministerial Conference to be held in Hong Kong in December 2005. The high-level political message must be translated into concrete solutions at the Hong Kong meeting, making the Doha Development Agenda truly a development round.

98. Innovative approaches to securing additional financial resources for development were imperative for the achievement of the Millennium Development Goals. As reflected in the 2005 World Summit Outcome, further discussion was needed to broaden collective support and widen participation, including of private and business sectors. Global partnership and cooperation at all levels and by all stakeholders must be strengthened. In that context, South-South cooperation could deliver as much as North-South cooperation, and the two combined could make it possible to achieve the mutually agreed development goals.

99. **Mr. Al-Nasser** (Qatar) recalled that Qatar had offered to host the first review conference of the International Conference on Financing for Development in 2007. That invitation was the result of its full commitment to the international global partnership for development.

100. One of the elements of the Monterrey Consensus was infrastructure financing in developing countries, including human and institutional capacity-building and communications, transportation and construction. The mobilization of domestic resources, capacity-building to attract and encourage investment, the private sector, institutional capacity to organize trade, ability to negotiate, ability to service debt and the priorities of spending aid provided through ODA were also core issues of the Monterrey Consensus. The recent South Summit held in Qatar had accorded special importance to South-South cooperation; attempts to operationalize that cooperation could benefit from the expertise of developed countries in the field of cooperation and integration. The experience gained by the European Union in the field of economic integration was a case in point.

101. **Mr. Dall'Oglio** (International Organization for Migration (IOM)) stressed the link between migration and development. While the essential role of migrants as agents of development still needed to be factored into overall development strategies, the contribution of remittances as an important source of external finance for developing countries was generally recognized. Although not a substitute for development assistance, remittances usually increased in times of hardship and, for some countries, were more relevant than either FDI or ODA. It was reasonable to estimate that 15 to 20 per cent of their amount, in the presence of appropriate incentives, might be invested in the creation of small and medium-sized companies and in other economic activities. The international community appeared to be ready to discuss how best to enhance the development impact of remittances as a complement, not a

substitute, to the commitments reiterated at the Monterrey Conference.

102. The focus of the World Bank Global Economic Prospects 2005 on the role of remittances in poverty alleviation and development strategy was welcome. The development impact of remittances and remittance services would be the subject of a ministerial conference to be hosted by the Government of Benin in its capacity as Chair of the Group of Least Developed Countries, with the support of IOM and the United Nations High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in early 2006.

103. There were other areas in which migration could provide innovative forms of financing for development, tapping into the human and financial potential of diaspora communities. The International Organization for Migration's Return and Reintegration of Qualified Nationals programmes in Africa, Asia and Latin America had for many years sought to support the social and economic advancement of developing countries, to foster their national human resource development and to counter the negative effects of brain drain. More recently, IOM had launched the Migration for Development in Africa (MIDA) programme to assist governments to achieve their development goals though the mobilization of vital skills and resources (financial and other) of qualified nationals in the diaspora.

104. **Mr. Talbot** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), noted that the macroeconomic performance of several CARICOM countries had been unstable in recent years and said that the member States of the Community had sought to mitigate some of the challenges facing them through integration, in particular through the creation of a Single Market and Economy to facilitate competitiveness and social integration. Macroeconomic policies were thus increasingly important.

105. Caribbean Community countries were small, open and highly trade-dependent. Their exports were concentrated in a narrow range of goods and services which had previously enjoyed preferential access to key markets. However, those preferences, and even a long-term marketing contract which some had had for a main export (sugar), were being rapidly eroded by international policy action. The countries needed time and resources to adjust and restructure.

106. Since CARICOM countries were defined as middle-income countries, ODA to the region had been rapidly declining. Furthermore, while many were heavily indebted, having had to resort to commercial-type borrowing, there were no special arrangements for dealing with their debt. That had been the case even when, like Grenada in 2004 and 2005, export earnings had been wiped out by natural disasters.

107. As island and low-lying coastal States, CARICOM countries were extremely vulnerable to natural disasters arising from changes in climatic conditions. Economic assets, infrastructure and, in some cases, communities had had to be rebuilt. Emergency periods were usually met with good international responses, but the reconstruction effort was left to the countries. At the same time, international insurance and reinsurance had become increasingly expensive or unavailable. The economic dimension of natural disasters had to be made an integral part of development policies for such countries.

108. The small Caribbean countries had traditionally lacked highly trained personnel, and their skilled persons had been highly mobile. Many of the experienced, trained personnel in key areas had been recruited by some of the most highly developed countries. Those same developed countries had been repatriating increasingly large numbers of Caribbean nationals who had run afoul of the law. Those policies placed considerable stress on the already scarce financial resources of the CARICOM countries.

109. The Caribbean region was unfortunately one of the most heavily HIV/AIDS-afflicted areas in the world. It acknowledged that the response of the international community had been strong, and a very effective partnership had been forged. The pandemic, however, continued to cause a loss of resources and to affect that segment of the population that was most vital for economic growth and development and thus for the achievement of the Millennium Development Goals.

110. The role of developing countries in shaping international macroeconomic, development, finance and trade policies deserved attention. The report of the Secretary-General on the international financial system and development (A/60/163) acknowledged that there had been little progress on the crucial issue of participation of developing countries in decision-

making. CARICOM therefore encouraged urgent action to redress systemic gaps and ensure the involvement of developing countries in decision-making at the global level. As part of the efforts to meet the Monterrey commitment, there was also a need for new and additional resources and a more comprehensive approach to the issue of debt sustainability.

111. The CARICOM countries had long called for a special focus on the peculiar conditions of small, vulnerable economies. They hoped that the recognition at last given at the 2005 World Summit would be made operational during the sixtieth session of the General Assembly and in other relevant international forums.

112. **Ms. Interiano** (El Salvador), **Ms. Nieto** (Ecuador), **Mr. Briz** (Guatemala), **Mr. Massieu** (Mexico) and **Ms. Alemán** (Peru) stressed that remittances should not be seen as a mechanism for development. Although they could be used to facilitate productive activities, remittances belonged to the private individuals to whom they were sent.

The meeting rose at 6.15 p.m.