

**STATEMENT BY AMBASSADOR BAGHER ASADI (ISLAMIC REPUBLIC OF IRAN),
CHAIRMAN OF THE GROUP OF 77, AT THE SECOND SESSION OF THE PREPARATORY
COMMITTEE FOR THE HIGH-LEVEL INTERNATIONAL INTERGOVERNMENTAL EVENT ON
FINANCING FOR DEVELOPMENT**

New York, 12 February 2001

Mr. Chairman,

At the very outset, let me express, on behalf of the Group of 77 and China, our sincere and profound appreciation to the Secretary-General for a very comprehensive, interesting, thought-provoking and most certainly, challenging, report. The report's preparation, as we all know, has been quite unique and innovative, involving the participation and cooperation of representatives of the Bretton Woods Institutions and World Trade Organization. We are very pleased, indeed, to have with us today high officials of the World Bank, The IMF and WTO. This is certainly a very welcome development, and it should augur well for the current preparatory meeting as well as for the whole process. We welcome this presence, and look forward, with anticipation and openness, to their constructive partnership along the way, bumpy and winding as it might appear. The meetings held just last week in Washington between the Members of the Financing for Development Bureau and the Bank and the Fund, respectively, proved to be a very useful step forward in a continually unfolding relationship. The current session is an excellent opportunity to further consolidate this growing relationship and help elucidate the modalities of participation in the process henceforth. In fact, the same applies to all other stakeholders in the process, including private sector and civil society organizations, NGOs in particular. We remain confident that with a spirit of constructive partnership and cooperation on the part of all the stakeholders and parties concerned we all can have a very smooth preparatory process and a very successful final event.

Mr. Chairman,

All of us, both developed and developing, whether in this conference hall or out there around the globe, are acutely aware of the historical standing and importance of what has come to be referred to as the Financing for Development event. And all of us know how much has gone into its preparation up to this very point. In short, the expectations for the event are high, if not too high. Its impact on the major developmental issues has also been acknowledged by the Millennium Declaration. That is exactly why the entire international community should strive to utilize the tremendous potential inherent in the high-level event. It simply cannot and certainly should not be considered a once-and-for-all event, rather, it should be perceived as a historical turning point for a bold, innovative and yet a continuing process for setting the stage for basic parameters and a conducive environment leading to a new consensus in which the international community strives to define collective objectives and goals and take the necessary measures to achieve them. The overall objective of the event is the strengthening of international cooperation for development, in particular through financing perspective .

In the course of intergovernmental deliberations thus far it has become clear that any new or innovative approach to the question of financing for development should be seen in the context of globalization and the complexities, challenges and benefits associated with it. We should be cognizant that the globalization process is paving the way for a multi -actor world in which various levels of decision- and policy-making and various actors engage in ever more sophisticated types and levels of interaction. Many parameters have changed and old assumptions and paradigms seem to be either waning or are already out of the picture. This still on-going and yet unfolding process has tremendous implications for development, including for its financing aspects, and has transformed and re-oriented the very concept of development. Undoubtedly, it has tremendous potential for promoting the shared objectives of the global community and strengthening the

sustained economic growth and sustainable development of developing countries. Nevertheless, its very financial features that have facilitated the process of global financial integration, have in their wake brought with them increasing risks and created instability. Given all this as well as the imperative of preventing risks and instability, and also taking into account the requirements for the long-term development of the developing world, achieving a higher understanding at the global level of the overall parameters of change in paradigms, concepts and institutional arrangements and relations seem to have become inevitable. Fact of the matter is that the global environment in which we all live, work and interact has changed, and quite substantially at that. Which calls for a different approach and accordingly, a different set of policies. Moreover, it is generally - if not roundly - agreed that the benefits of globalization need to be equitably distributed for the long-term health of the global system. This is as true in a general sense as it is in the field of financing of development. The high level event on financing for development has tremendous potentials and capabilities to serve such objectives.

The central challenge before us all in approaching the High-level Event lies in setting the goals and putting in place the measures and mechanisms required to achieve them. First and foremost, is the question of political will on the part of all stakeholders and participants in the process to make the commitment and undertake to do what is necessary, inter alia, to address impediments and obstacles, whether of an institutional or regulatory nature, at national, regional, inter-governmental and international levels to ensure the success of the event and its follow-up. With the requisite political will, the process, difficult as it inevitable may be, will stand a chance of success. And to this, we are fully committed and willing to trek along with all the fellow travelers towards a good and satisfactory final outcome.

Mr. Chairman,

Having laid out in very general terms our approach to and expectations from the High-level Event, let me now turn to the substantive issues and agenda of the Event. The respective outcome of various regional consultative meetings, particularly those in the developing regions, reveal a number of important features. Despite the fact that various developing regions have different levels of development and their integration into the world economy varies according to region and sub-region, nevertheless, the challenges they face in the area of financing for development are quite similar. Hence, to address these challenges, the Group of 77 and China is pleased with the following themes identified for the substantive agenda of the Financing for Development process.

- (1) Mobilizing domestic financial resources for development;
- (2) Mobilizing international resources for development: foreign direct investment and other private flows;
- (3) Trade;
- (4) Increasing international financial cooperation for development through, inter alia, Official Development Assistance (ODA);
- (5) Debt;
- (6) Addressing systemic issues : enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

Let me hasten to add that we are fully conscious and cognizant of the inter-linkages involved between and among the issues on the themes of the process and the Event, and we believe that these inter-linkages should also be addressed in the course of our discussions and deliberations in the weeks and months ahead.

Mr. Chairman,

Although each of these themes will be fully discussed in detail in the course of the coming days, allow me to address them at this stage in our general statement. This should serve as a chapeau for more technical interventions.

Domestic resources are the primary means of financing of development in almost all countries, including developing ones. Economic growth is essential for enhancing the mobilization of domestic resources, however, many developing countries are far from reaching the necessary growth rate and investment ratios that could lead to sustainable development. The situation in LDCs, African countries, Small Island Developing States (SIDS), land-locked and transit developing countries, and other small and vulnerable economies is more difficult due to inherent economic problems of poor resource base, low productivity, lack of proper financial institutions and high transport cost. We in the developing countries are cognizant of the fact that we should improve our financial capacities and structure and strengthen our regulatory framework. Notwithstanding, mobilization of domestic resources cannot be viewed in isolation from the international environment. Due to the globalization process, which has further sharpened and escalated the impact of international environment on the national economy, both horizontally and vertically, the critical impact of external factors on the internal capacity for mobilization of domestic resources has increased. Therefore, in addition to domestic policies and actions, the imperative of a conducive international environment will be an important issue for our discussions in this agenda item.

Trade is the most important mechanism for almost all developing countries to mobilize and expand the needed resources for financing of development. Even in those countries, which have not been able to attract international financial flows, trade is the only source of absorbing external finance as a vital source of economic growth and poverty eradication. Market access continues to be a major obstacle to the exports of developing countries. Moreover, issues such as avoiding discretionary and unilateral trade measures; transparent, open and predictable markets; trade financing; trade-related technical assistance; special and differential treatment for developing countries; forbidding use of various standards for protectionist purposes; tariff peaks; denial of GSP; commodities and supply side constraints, to mention only a few among a rather long catalogue, are major topics for our discussions.

Another major source of financing for developing countries is foreign direct investment and other private flows. In the examination of ways and means to increase and optimize the international private flows for development, the sources and direction of these flows are important. These flows are often concentrated in a small number of countries and regions. Most developing countries have found it difficult to benefit from these flows. On the other hand, managing speculative short term flows is also a serious challenge for those able to attract such flows. Convergence of these flows with the priorities of developing host countries is also an important issue and a serious challenge.

Official Development Assistance (ODA) continues to be a crucial issue for a large majority of developing countries, particularly LDCs, African countries, and those with low income and limited export earnings. These countries continue to need concessional flows to supplement their domestic capital accumulation in order to make their development efforts sustainable. Increase in the private capital flows should not be considered as a substitute for ODA. Although the fiscal situation in many developed countries has generally improved and quite significantly in some, the Official Development Assistance (ODA), as is common knowledge, has experienced a steady decline during the past decade. It is rather ironic that this unfortunate declining trend seems to have coincided with a parallel trend by the UN major conferences in the 90s in setting a clear programmatic basis for development cooperation in many areas. How to reach the agreed commitment of directing 0.7% of GNP of developed countries to ODA and within that target, to earmark 0.15% to 0.20% for the LDCs, is a daunting task for the international community. The question of ODA, and in a more general sense, the bigger question of international cooperation for development, is among the most challenging issues before us in this agenda item.

The debilitating burden of the external debt on the indebted developing countries, poor countries in particular, and its adverse impact on their development has been on our agenda for decades. Almost all developing countries in various stages of development face this challenge, one way or another and to varying degrees. The needed overall approach and solution is rather simple; debt relief measures should be followed

vigorously and expeditiously. Within this framework, a wide range of issues such as prevention; funding for debt relief initiatives; debt management; further measures for HIPC, low income and middle income indebted countries; flexibility in debt measures; ensuring participation of private creditors in resolution of debt in crisis situations; and conditionalities in debt relief measures will be raised in the course of our discussions and deliberations in this item.

Addressing systemic issues including enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development should find a paramount place in our agenda. The Group of 77 and China believes that the existing institutional arrangements and international cooperation in this field are lagging far behind the process of economic and financial integration at the global level. A broader and effective participation of developing countries in the international decision-making and norm setting processes is imperative. The catalogue of issues in this agenda item, as important an item as the others, includes, inter alia, reform of the international financial architecture; improving its governance and increasing the transparency and accountability; setting international standards, codes and guidelines by universal bodies; regional and sub-regional arrangements to deal with financial crises; stability of international financial system; mobilization of adequate resources for emergency financing; early warning and symmetric surveillance; coherence and consistency of the international monetary, financial and trading systems; and the role of the United Nations. I should add, however, that from our point of view the crux of the substance of this agenda item is that the international financial architecture, whether to be considered new or otherwise, should be made responsive to the priorities of growth and development on a global level, especially in developing countries, and to the promotion of economic and social equity. We simply cannot shrink our responsibility to such noble objectives and towards their achievement.

Mr. Chairman,

To conclude, let me reiterate once again, on behalf of the community of 133 developing countries, that we are committed to a very open, honest and objective exchange of views with all our partners here. We believe that our discussions and deliberations on various topics of the substantive agenda of the High-level Event should contribute substantively to the outcome of the current session of the Preparatory Committee. And this outcome should provide a fair and solid base for our next round of rendez-vous in May. Let me also add that the Group of 77 and China believes that the final event should be a self-standing United Nations Conference at the highest political level. It is our earnest hope that we would be able to decide on the host country for this important conference as early as possible, preferably during the current session of the preparatory Committee.

Thank you very much, Mr. Chairman.