STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY H.E. MS. HINA RABBANI KHAR, MINISTER FOR ECONOMIC AFFAIRS OF THE ISLAMIC REPUBLIC OF PAKISTAN, AT THE HIGH-LEVEL DIALOGUE OF THE GENERAL ASSEMBLY ON FINANCING FOR DEVELOPMENT (New York, 23 October 2007)

Mr. President,

It is a great honour and personal pleasure for me to make this statement on behalf of the Group of 77 and China at the Third High Level Dialogue of the General Assembly on Financing for Development.

2. The Dialogue assumes special significance this year as we prepare for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus to be held in Doha, Qatar in the Second half of 2008.

3. The G77 attaches great importance to the follow up and the implementation of the Monterrey Consensus, which outlined the comprehensive national and international policy actions required to achieve the internationally agreed development goals.

4. We are confident that our deliberations at this High Level Dialogue and during the on going 62nd session would catalyze our preparations for a serious and meaningful review of the implementation of Monterrey and our endeavours to delineate a clear roadmap for future actions, based on the lessons learnt and the current and emerging realities.

Mr. President,

5. Like any review process, the fundamental questions before us are simple. What has happened thus far on the path decided at Monterrey? What has changed? Is the trajectory of change positive or negative? What should be done further to advance the implementation of the goals approved at Monterrey?

6. The Secretary General, in a candid review of the implementation of (A/62/217) Monterrey, has conveyed a mixed picture - with weak progress in some areas and potential retrogression on other objectives of Monterrey. The Group of 77 largely agrees with this assessment. Indeed, we are of the firm view that Monterrey suffers from a serious implementation deficit.

Mr. President,

7. Let me take this opportunity to present an overview of the global situation as perceived by the Group.

8. First, while some developing countries have exhibited dynamic economic performance, many countries remain mired in the vicious circle of poverty, lacking productive capacity and supply side constraints; dependent often on a single commodity; vulnerable to external economic turbulence, and unattractive for commercially driven investment. Many, if not most, are far from achieving the MDGs in 2007 - the half way mark of 2015 - the target date for achieving the MDGs.

9. Second, while there has been improvement in the external debt situation of the developing

countries, through improved debt management strategies and more intense international cooperation, the total external debt of developing countries nonetheless increased. Importantly, the conditions that led to the global debt crisis still exist. Many beneficiary countries may be led back into the debt creating financial circumstances.

10. Third, the increase in the ODA remains well short of the 0.7% target. In fact, it dipped last year to 0.30 from 0.36 in 2005, despite the publicity surrounding the G8 summit at Gleneagles during which the doubling of the aid flows was prominently promised.

11. Fourth, the continuing impasse in the Doha Round of trade negotiations has placed a big question mark on the credibility of the multilateral trading system and the multilateral trade negotiating process, particularly in the context of the commitments made to the developing countries. Clearly, answers need to be evolved to how development and trade goals can be reached within the context of continuing inequity and discriminatory constraints imposed by the present multilateral trading system.

12. Fifth, the level of development financing in many cases is less than the outflow of resources from the concerned developing countries, due to growing trade deficits, transfer of invisibles and capital flight. The flow of FDI is focused mostly on a small number of dynamic "emerging markets", with most developing countries starved of investment finance.

13. Sixth, the global financial system continues to evolve in ways, and in directions, over which neither international institutions nor most Member States have much influence or control. The developing countries certainly have little ability to influence financial trends, despite the fact that these trends have significant implications for their growth and development, not the least due to the volatility of the situation. Perversely, in part to guard against this volatility, developing countries have accumulated large reserves which are transferred back to the deficit country. This has contributed to enlarging the net outflows of finance from the developing to the developed countries, which went up from $533 billion in 2005 to $ 662 billions in 2006. Simultaneously, actual resource flows for development declined.

14. Seventh, a global economic slow down, perhaps even a recession is, feared in the wake of the recent turbulence in financial markets. Such a turbulence was anticipated by some analysis within the United Nations as a consequence of the persistent global trade and financial imbalances of recent years.

Mr. President,

15. The trends identified above, and the developments over the past several months, particularly in the international financial markets, point to both the deficit of implementation of the Monterrey Consensus and the issues that Monterrey was unable to adequately address. The unresolved challenges that we confront today in financing the development goals are likely to become more complex and difficult in future, particularly in the context of the special financing and resource requirements to enable the developing countries to meet the challenges of climate change.

Mr. President,

16. The situation, clearly calls for redoubling of our efforts to arrest and reverse the disturbing trends through a genuine and enhanced global partnership for development. The Group of 77 suggests the following for consideration in the context of the preparations for the Doha Conference

on Financing for Development.

17. One, for the majority of the developing countries, concessional development financing remains an essential input for the realization of the MDGs and other national development goals. A strong push, therefore, for enhanced ODA flows particularly meeting the 0.7% target is an absolute imperative. Moreover, to secure additional resources, serious and creative pursuit of innovative means of financing is also needed. Similarly, ensuring greater aid effectiveness would also allow the optimal utilization of the existing resources. In this context, the new Development Cooperation Forum (DCF) of the Economic and Social Council (ECOSOC), which brings together donors and recipient countries and civil society, should become the primary vehicle to strengthen aid effectiveness and aid accountability. The DCF should also examine the transaction cost of aid disbursement and the actual utilization of the allotted resources in the recipient countries.

18. The G-77 and China is of the view that DCF should ensure: that development cooperation is responsive to the needs of the developing countries, as set out in their national development plans and strategies and to the IADGs and MDGs; that the quantity and quality of development financing is adequate and appropriate to the needs of the recipient countries; that development cooperation achieves the desired objectives and results: and that such cooperation is pursued in a coordinated and coherent manner at the national, regional and global levels.

19. Two, Foreign Direct Investment plays a critical role to energize growth and implementation of development goals, especially in sectors such as infrastructure. Many developing countries lack the ability to attract private investment flows required to finance such projects which are fundamental for sustainable development. The UN system, in collaboration with other relevant stakeholders, should put together a plan of action at Doha to further enhance the ability of the poor and vulnerable economies to attract private and multilateral investments. In this regard, we should consider introduction of international and national investment guarantee schemes, tax and other incentives, revised "risk rating" arrangements etc to direct larger private investment flows to developing countries which cannot attract such transfers through normal market mechanisms.

20. Three, the welcome debt relief under the Heavily Indebted Poor Countries Initiatives (HIPC) and Multilateral Debt Relief Initiative (MDRI) may have released resources for development related expenditure in the developing countries. However, these resources are completely inadequate to enable the developing countries realize the Internationally Agreed Development Goals (IADGs), including MDGs. The gap in availability of net concessional financing remains far too large. The situation clearly demands urgent, bolder, and more encompassing initiatives to solve the external debt problems of the developing countries in an effective, equitable and development oriented manner.

21. The Group of 77 and China believes that debt sustainability, both in terms of its definition and calculation, is critical to the whole debate about debt relief. The Group of 77 and China wishes to reiterate its long-held position that debt sustainability should be linked to a country's capacity to achieve its national development goals, including the IADGs. It is, therefore, of utmost importance, firstly, to link debt policy more closely with growth and development and to recognize the country-specific character of sustainability; secondly, to apply greater case-by-case flexibility in the setting and implementation of "thresholds"; thirdly, to consider debt scenarios in the face of possible external shocks; and lastly to apply debt sustainability analyses in a flexible manner and not premised on the use of subjective governance indicators.

22. Four, the Group of 77 and China supports a comprehensive reform of the international financial architecture, including enhancement in the voting powers of developing countries, within a specific

time frame. The reform must also address the objectives for which the IMF was created: one, to ensure financial stability and two, to ensure access to liquidity for those countries which actually need it. The G-77 and China will continue to press for such a fundamental reform of the international financial system, and its governance architecture, in all relevant forums.

Mr. President,

23. The current attempts to reform the IMF address certain aspects of these challenges. Changes in the distribution of voting rights to reflect the new realities are needed. But this alone will not resolve the fundamental problems of instability and unavailability of liquidity for those who really need it to generate growth and sustain development. The world needs to develop a strategic consensus on the comprehensive reform of the international financial and monetary system that encourages rapid, balanced and sustained growth and development in a "globalized" world economy. Reform must encompass liquidity creation, including SDRs, as well as ODA, Debt, FDI and private investment.

24. At the same time, it is ever more urgent to undertake measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of capital flows. To this end, the IFIs should have suitable financial facilities and resources to respond to such financial crises and arrest their contagion effect on vulnerable developing countries. In this regard, international monetary system should also be structured to provide policy space to the developing countries to design and implement counter-cyclical policies that can ensure sustained growth.

25. Five, in an integrated and globalized world economy, the developing countries are increasingly vulnerable to actions and policies originating in the developed countries over which they have little or no control. This is particularly true for the innovative and complex financial products developed and introduced in the markets of the advanced countries. There is need clearly for stronger regulatory mechanisms and greater transparency in the management of such new products and innovative instruments and over the recent impact they have had on global financial markets including in the developing countries.

26. Six, the Group of 77 and China call upon the developed countries to demonstrate the flexibility and political will required to break the current impasse in the Doha Round of trade negotiations and to work towards early resumption and timely completion of the Doha Round of trade negotiations, with the fullest realization of the development dimensions of the Doha Work Programme. In this context, it is important to recognize the mandates contained in the Doha Ministerial Declaration, the WTO General Council decision of August 1, 2004 and the Hong Kong Ministerial Declaration to meaningfully integrate the developing countries into the multilateral trading system.
Mr. President,

27. In conclusion, let me reiterate that the Monterrey Consensus has not come far enough towards conceiving a new system of financial governance that would serve to redress the imbalances and inequities of the past, nor the challenges of the present and the future. We are confident that the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus will provide a platform to meaningfully address these issues based on lessons learned and experiences gained.

28. Today, at this high-level event, we should focus on formulating a framework that will ensure the optimum at the forthcoming International Conference on Financing for Development to Review the implementation of the Monterrey Consensus to be held in Qatar in the second half of 2008.

29. On behalf of the Group of the 77 and China, I assure you, Mr. President, of our commitment and active engagement in advancing the global discourse on financing for development and to work towards a result oriented, negotiated and positive outcome of the Doha Conference.