

STATEMENT BY HIS EXCELLENCY MR. DAUDI N. MWAKAWAGO, PERMANENT REPRESENTATIVE OF THE UNITED REPUBLIC OF TANZANIA TO THE UNITED NATIONS, CHAIRMAN OF THE GROUP OF 77, AT THE OPENING CEREMONY OF THE FIFTY-SIXTH MEETING OF MINISTERS OF THE INTERGOVERNMENTAL GROUP OF 24 ON INTERNATIONAL MONETARY AFFAIRS

Washington, D.C., April 27, 1997

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Mr. Chairman,

As is customary at this gathering of the developing countries, efforts will be directed to engage in assessing the international economic and financial situation, but also endeavour to forge common approaches and coordinate their respective positions between the Group of 77 and the Group of 24. The profound and rapid changes which are transforming the world compel us to constantly enhance our solidarity and unity in pursuing our collective goals for development.

In a world characterized by the globalization of the international economy and deepening interdependence among economies, the need for the international community to embark upon constructive and sustained international cooperation for economic growth and development becomes an urgent requirement. As the Group of 77 noted on many occasions, lasting peace and security cannot be assured nor maintained in the absence of sustained economic growth and development in developing countries. Indeed extreme poverty and environmental degradation cannot foster the development of democracy and human rights.

World economic recession and stagnation have been further compounded for the developing countries by the adverse imbalances in the external environment. Of particular concern to us are the formidable protectionist pressures and escalating tensions over trade that inhibit access to the markets of developed countries. Moreover, turbulent financial markets together with volatile exchange-rates have resulted in severely contracted financial flows for development and for many developing countries have increased already intolerable levels of debt and debt-service burdens. And as if that were not enough the situation is exacerbated by the continuing deterioration of commodity prices. Needless to say, there is inadequate access to technology. Taken together, these constraints of the external environment have exacted an enormous toll especially on the more vulnerable economies of Africa and the least developed countries.

It is true that a few developing countries have managed to make significant progress despite the adverse global economic environment. The majority, however, remain caught in the grip of economic stagnation and decline and trapped in poverty and structural under-development. African countries in particular and least developed countries generally continue to be faced by acute reversals and thus deserve special attention.

International economic relations are in most cases power relations. It is not easy that the countries which exert control in the prevailing international system accept reforms aimed at correcting the prevailing economic and institutional inequalities. Only the determined joint action by the countries of the South, based on clear development policies, a better utilization of their resources and capabilities and a solid strategy of economic cooperation, may offer possibilities for changing the current international economic system.

Mr. Chairman,

For the Group of 77, the problem of inadequacy of financing of development is closely linked with the issues of external debt and development.

Despite the implementation of several approaches undertaken over the past decade, the debt crisis continues to persist as one of the main constraints for the development of developing countries. The Group of 77 wishes to reiterate its position that the international community, particularly the donor countries and international financial institutions, adopt an effective, comprehensive and equitable, once-and-for-all development oriented solution to the debt problem of the developing countries. In this regard, the Group of 77 also would like to note that while many developing countries have adopted economic reforms under the structural adjustment programmes of the Bretton Woods institutions, these reforms have been accompanied by adverse and significant social costs.

The Group of 77 believes that consistent with various international agreements, the international community should adopt a common set of principles in order to ensure a substantial reduction of all categories of debts of all debtor developing countries and to meet the debt-servicing capacities of these countries. The measures to reduce the stock and service of external debt and to provide debt relief and, where appropriate, the cancellation of debt, should be broadly implemented. These measures could also include the expansion of existing modalities of debt-for-equity, debt-for-nature, and other types of swaps or conversion programs. The multilateral financial institutions and creditor countries should be requested to provide greater support for external debt and debt-service reduction packages, with enhanced flexibility in their "terms" and "conditions". Such packages should include more formal mechanisms for restructuring debts owed to these institutions to allow for deeper cuts in the levels of external debt and debt servicing.

Mr. Chairman,

The Bretton Woods Institutions as a part of the UN system were designed to provide developing countries with credit on a concessional basis for development projects and to assist them in the event of balance-of-payments difficulties. Today, there is a need to increase World Bank funding, replenish concessional funds, and increase IMF resources to promote development in the developing countries. The increasing flow of these investments to developing countries is welcome but it would certainly benefit the developing countries if more of such flows are directed to activities or sectors which increase productive capacity. Such flows should also be broadly directed to all developing countries to redress the present concentration in a handful of developing countries. Special attention should therefore be given by financial institutions to measures aimed at promoting long term investment flows to all developing countries and enhancing their growth potential.

Mr. Chairman,

The Group of 77 fully supports the streamlining of the UN system but can not accept any move to abolish or distort the development agencies in the name of "division of labor" or comparative advantage. Institutions and agencies that have a sound track record of supporting concretely the development of the South need and indeed expect our support. Those that have negative record should be reformed or wound up.

The Group of 77 considers it essential that collaboration between the UN system and the Bretton Woods Institutions be strengthened at all levels – at the level of intergovernmental decision-making, at the inter-secretariat levels and at the country level. The Group of 77 therefore looks forward to the early implementation of the relevant United Nations General Assembly resolutions, in particular the joint review by the UN and the Bretton Woods Institutions to assess mechanisms, programmes and relationships at the field, headquarters and intergovernmental levels, with a view to identifying areas in which communication, cooperation and coordination could be improved. The Group of 77 wishes to stress the importance in the joint review of concrete recommendations to facilitate closer collaboration between the General Assembly and the

respective governing bodies of the Bretton Woods Institutions. Through a systematic sharing of ideas, information, expertise, and within the context of their respective mandates and comparative strengths, organizations of the United Nations system and the Bretton Woods Institutions could collectively enhance their capacity to provide support to the developing countries. This collaboration assumes added significance in the context of steadily diminishing resources for development.

With regard to areas of collaboration between the UN system and the Bretton Woods Institutions, the Group of 77 attaches priority importance to poverty eradication, stimulating and sustaining economic growth in the developing countries, sustainable development, capacity building, particularly, human resources development, and the design of people-centred structural adjustment programmes. In stimulating and sustaining economic growth, the Group of 77 believes that developing countries would benefit a great deal from the combined wisdom of the Bretton Woods Institutions and development institutions such as UNDP and other UN agencies. The combination of expertise in macro-economic policies and sectoral strategies in those organizations would enable developing countries to view development issues from a broader perspective. It is the G-77's view that the UN system and Bretton Woods Institutions should jointly explore alternative models of structural adjustment, especially those models that have built in the social dimension in the adjustment process, rather than devising measures to deal with the social consequences of structural adjustment after the fact.

Mr. Chairman,

In considering the various modalities of strengthening collaboration between the UN system and the Bretton Woods Institutions, the Group of 77 would like to stress the importance of policy dialogues, the resident coordinator system, effective aid coordination, joint country missions, the programme approach and complementary use of various financing sources and modalities. The example of the Special Initiative for Africa needs to be emulated and expanded.

Policy dialogues among all partners in the development process are important and should be encouraged. For they help in identifying key development issues, defining alternative policy options and facilitating a common approach to development challenges at the country level. Similarly, closer concurrence between the policy framework papers of the World Bank and IMF and the country strategy note of the UN system would lend a greater degree of coherence to external support to national development. Such concurrence would be aided greatly by effective field-level coordination among the resident coordinator and the representatives of the World Bank and the IMF under the overall guidance and coordination of the national governments. It recognizes that some progress has been achieved in these areas but much more needs to be done. The Group of 77 continues to believe that it is crucially important to work towards ensuring both policy coherence and programme cooperation at the country level. Ultimately, it is the targeted countries that should be the major focus. In this regard, even the responsibilities and functions of resident coordinators should be focussed. Extraneous issues should not be allowed to intrude by commission or omission.

Finally, the UN system and the Bretton Woods Institutions should expand their collaboration in cofinancing field programmes and projects. They should continue to explore innovative ways of combining their resources in support of a common programme to optimize the benefit to the countries concerned. And they should work closely with recipient governments to determine the optimal mix of funds from grants, concessional and commercial loans and private sector financing in support of development programmes and projects.

To conclude let me once again, Mr. Chairman, express on behalf of the Group of 77, our firm support to the strengthening of collaboration between the UN system and the Bretton Woods Institutions, such collaboration

should not lead to the marginalization of the UN in a global economic policy and decision making. The strengthening of collaboration between the UN system and the Bretton Woods Institutions should be seen as an intrinsic part of the reform process, a principal purpose of which is to restore development in the forefront of the international agenda and to strengthen the role of the UN in international cooperation for development.

Thank you, Mr. Chairman.