STATEMENT BY H.E. AMBASSADOR DAUDI N. MWAKAWAGO, PERMANENT REPRESENTATIVE OF THE UNITED REPUBLIC OF TANZANIA TO THE UNITED NATIONS, NEW YORK, CHAIRMAN OF THE GROUP OF 77, AT THE HIGH-LEVEL SEGMENT OF ECOSOC

Geneva, 3 July 1997

Mr. President,
Secretary-General,
Hon. Ministers,
Distinguished Guests,
Ladies and Gentlemen,

It gives great pleasure to address such a distinguished gathering, on behalf of the Group of 77 and China. The subject chosen for discussion, at this high-level Segment - fostering an enabling environment for development - is extremely relevant for all countries, particularly the developing countries at this juncture.

In a world characterized by the globalization and liberalization of the international economy, the need to embark upon constructive and sustained international cooperation as well as creating an enabling environment for economic growth at international and domestic levels, become urgent requirements.

The report of the Secretary-General before us has identified a number of conditions necessary for the fostering of an enabling environment for development such as, inter alia, creation and maintenance of peaceful and stable internal and international conditions; respect for and non-discriminatory application of rules of the game to create equal opportunities and a level playing field for all; and the protection of the weakest and most vulnerable members of the international community through more favourable treatment in trade and finance. These are important pre-conditions which should be upheld by all countries.

Concerning policies it is acknowledged that an essential component of an enabling environment for development is sound national macro-economic policies. In this regard almost all developing countries have carried out and are carrying out far reaching structural adjustment policies that will facilitate the creation of dynamic open and free market economies as well as attracting foreign direct investments. It is also recognized, however, that in certain circumstances governments will need to intervene in markets to prevent or counteract market failure, promote stability and long term investments, ensure fair competition as well as protect social equity by ensuring the provision of social services to the weakest.

The U.N. report, the "World Economic and Social Survey 1997"is upbeat about the world economic performance in this decade. It notes that after a disappointing start to the decade, the world economy is on a growing trend at the rate of 3%. However, since not all countries are registering even growth it is necessary to ensure that developing countries must grow at 3 % or higher a year to reduce unemployment, inflation and eradicate poverty. Last year, Latin American nations that achieved that goal accounted for only one-third of the continent’s population. The percentage in Africa was one-quarter.

It is therefore clear that notwithstanding this encouraging economic growth in many parts of the world, including developing countries, there is still a need for international support for the domestic efforts which developing countries are making to increase the rate of their economic growth. For example, the Secretary-General’s report has correctly analyzed the scenario in the area of official development assistance (ODA). ODA flows have fallen sharply from 0.34 % in 1992 to a paltry 0.25 % now. This is far from the goal of reaching the United Nations target of developed countries contributing 0.7% of their GNP towards official development assistance. Moreover, the composition of ODA has shifted with a significant portion being used to fund emergency relief and peacekeeping activities and less going towards long-term development needs.

At the recently concluded United Nations General Assembly Special Session to review UNCED and the implementation of Agenda 21, developing countries argued correctly that FDI flows cannot replace ODA. Although it is true that in the last five years there has been a substantial increase in net FDI flows to developing countries as whole, FDI is going to only about twelve fast growing developing countries of Asia and Latin America. For instance, the amount of FDI flows to Africa is negligible. FDI focus is always on projects that yield quick returns and not directed at infrastructural projects. The challenge for the international community is therefore how to ensure increased flows of FDI to Africa and other LDCs. In the meantime these countries will continue to rely on ODA flows for the foreseeable future. For that to happen, there must be a renewal of the spirit to continue to provide ODA by the developed countries through taking immediate action to arrest the downward trend in ODA flows. The objective should be to increase ODA to the agreed target of 0.7 % of GNP by the turn of the century. The Group of 77 and China is appreciative of and commends those countries from the North that have attained the UN target of 0.7 % of their GNP for ODA. In this regard the Group of 77 and China welcomes the announcement by the British Government and Japan to increase ODA..

The Secretary-General's report has also highlighted the issue of external debt, as one of the specific obstacles to the development efforts of Africa and other least developed countries. Indebtedness stifles growth and confines the developing countries to a vicious cycle of debt and poverty. Apart from the obligation of repaying the debt, debt service is gobbling up over 30 % of Africa's export revenues, 25% of savings and over 4% of Africa's GDP. Since the various debt relief measures in place do not go deep enough to give an opportunity to indebted countries to move forward, more needs to be done in terms of debt stock cancellation. We appreciate the recent initiatives to reduce debt both within the Naples terms of the Paris Club and the Heavily Indebted Poor Countries (HIPC) debt initiative by the IMF and World Bank.

Developing countries on their part should pay heed to the wake-up call and direct their efforts to a more self-reliant development. This approach will still call for greater efforts in creating favourable domestic conditions for local and foreign direct investment and capacity building for a strong scientific base supported by technology transfer from the North. Technology transfer should be considered a key element in this debate. One of the key issues in the view of the Group of 77 is the transfer of technology to developing countries on concessional and grant terms.

The only way developing countries could be meaningfully integrated in the world economy is through the production of goods and services which would meet their own needs and exchange them in the world market on an equitable basis. The support of the international community is vital to the efforts of developing countries especially in the provision of technical assistance and market access for their value-added goods and remunerative prices for their commodities.

In the same context we wish to restate our commitment and resolve expressed by the 20th Ministerial Meeting of the Group of 77 held last September in New York that South-South Cooperation is an important corner-stone of the overall economic philosophy of the Group. And to promote it in the future there is an increasing strategic dimension of international cooperation. The Group considers this as being an important dimension in fostering an enabling environment for development. The international financial institutions and the whole of the UN system have a vital role in supporting developing countries in their efforts to overcome obstacles to rapid development. The provision of resources, technology transfer and a favourable external economic environment are critical in the enhancement of the efforts to mobilize domestic resources in developing countries. In this regard the quest for a new global partnership for development is real and requires all the support required.

It is our hope that ECOSOC will make practical recommendations on how to achieve the objective of fostering an enabling environment for development particularly in the least developed countries.

Mr. President,

In conclusion I would like to quote President Mkapa of the United Republic of Tanzania speaking last month on behalf of the Group of 77 and China stated:

> "Most developing countries continue to improve their investment regimes and other aspects of regulatory framework to encourage both domestic and foreign investment. But a lot of investments are still required to refine it, to build the necessary infrastructure, and to integrate economies, all of which can help to attract FDI. Such investment will continue to need and depend on ODA funding. In terms of development financing FDI and ODA are in completely different leagues, and they cannot be inter-changeable."

President Mkapa then went on to thank those countries that have attained or surpassed the UN target of 0.7 % of their GNP to ODA. He said, "On behalf of the Group of 77 and China I should like to thank the four OECD countries that have attained and surpassed the UN target … let them be an inspiration to others so that we can reduce poverty faster, contribute to sustainable development of humankind, and create a better environment for private investment and trade until they gradually replace ODA as the backbone of sustainable development."

Mr. President,

The Group of 77, as demonstrated last month during the negotiations of the Agenda for Development, is committed to a new partnership for global development that will be equitable and for the common benefit of future generations.

I thank you.