

Statement by Mr. Mohammad Ali Zarie Zare, on behalf of the Group of 77, at the Third Session of the preparatory Committee for the International Conference on Financing for Development: Mobilization of international resources for development, Foreign Direct Investment and other Private Flows

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In recent decades international financial resources, in particular private flows have increased substantially and has become a major source of financing as well as a major trend in the globalization process. Their impact on development has been quite pronounced and well recognized. They can certainly contribute to fill the gap between national supply and demand of resources and potentially can have substantial benefits for development.

Let me address some of the aspects involved.

- Long term capital flows in the form of foreign direct investment could create a range of dynamic benefits including expansion and consolidation of physical infrastructure, transfer of technology, improved management practices, market access and stimulating competition in the developing host countries which would also help to complement their development efforts in a substantive manner. Such flows could be facilitated through developing capacities of financial and corporate sectors and institutional framework in the host countries including by strengthening business facilitation services and framework.
 - Strengthening multilateral guarantee agencies and facilitation through broader participation in their decision –making and norm-setting process. Undoubtedly more participatory interaction at the international and regional levels and discussion of investment frameworks, as well as, increased information flows on investment opportunities will assist creation of an equitable ground and conducive environment for facilitating investment flows to more developing countries particularly in Africa, LCD's, Small Island Developing States, Land Locked Developing Countries, Transit Developing Countries and other developing countries. Enhancing social infrastructure and locational assets could also contribute to supporting and development of physical infrastructure and accessing and utilizing national and international capital markets.
 - Enhancing the developmental impact of investments is one of the important elements that should be considered in the improvement of corporate governance both by the investors and host countries in support of development. The international private flows should not be driven by profit only and skewed towards certain sectors in developing countries. Rather, their distribution among sectors should be more equitable and more development oriented and accountable. Formulation of possible rules and codes of conduct and other measures for better corporate governance is highly advisable, including in such areas as assessment by the United Nations of the developmental impact of investments in the transfer of technology, creation of local employment, enhanced market access and capacity-building, as well as in observing fair competition with local investors, and social and environmental responsibilities.
- Strengthening public- private partnership with emphasis on infrastructure and other developmental priority areas is becoming vital to the economic growth policies of developing countries. Infrastructure bottlenecks in many developing countries are constraining the room for diversified development activities. Direct partnership between private and public sectors as well as financing these projects by local, regional and international markets could facilitate such projects. Spread and exchange of information on investment opportunities in developing countries, in an institutional manner, could also facilitate expanding the spread of FDI as well as promoting public- private partnership. Sovereign risk assessments of developing countries by the international and banking institutions and rating agencies should also be based on objective and transparent criteria in order to be conducive to the spread of FDI and public-private partnership. Increase in

ODA could serve the development objectives including through promotion of locational assets and can leverage long-term private flows while bearing in mind that they cannot substitute each other.

- Multilateral guarantee and export credit agencies have an important role in facilitating flow of international private flows to those developing countries who have been less successful in attracting such flows. Promotion of development projects in developing countries through the better utilization of ICT for dissemination of relevant information, focusing on regional complementarity of the projects, extending the new options for financing the projects by utilizing the various financial instruments in the regional and international capital markets could also be an important option for channeling FDI to developing countries. Extension of fiscal support to outward investors by developed countries, insurance schemes and market access and mobilizing ICT for exchange of information and sharing them in a broad manner could also expand the possibilities and opportunities for such flows to developing countries, in particular low income countries.
 - Transfer of technology and assisting developing countries to create and develop their indigenous research and development capacities, including through networking and deepening linkages between foreign affiliates and domestic enterprises and in particular small and medium size enterprises, is also quite imperative. These enterprises are the main source of employment and dissemination of new and innovative technologies in developing societies, and they are also very instrumental for strengthening national capacities for developing indigenous technologies.
 - Cooperation of multilateral development institutions with regional economic organizations for the implementation of regional projects in cooperation and partnership with business sector in supporting the promotion of long-term private financial flows could contribute to institutional building, promotion of regulatory framework and expansion of capital and financial markets at the regional level. Capacity building at the national and regional levels, particularly in the areas of human resource development and institutional strengthening including through dissemination of related knowledge and transfer of science and technology, particularly ICT is imperative.
- The volatility of short-term capital and its impact on the economy of host developing countries is a serious challenge before international community. The Group of 77 and China believes that the adverse impact of some of these flows should be discussed and measures to address such challenges should be considered by the international community. In this respect possible introduction of a currency transaction tax could be studied, and in fact, we support such a study. Consideration of establishing and strengthening social safety net at the national level to address the social impact of financial crises result in from the nature and volatility of short-term flows should be considered as a collective duty of the international community.

Thank You, Mr. Chairman.