

STATEMENT BY AMBASSADOR MILOS ALCALAY, PERMANENT REPRESENTATIVE OF VENEZUELA TO THE UNITED NATIONS AND CHAIRMAN OF THE GROUP OF 77, AT THE FOURTH SESSION OF THE PREPARATORY COMMITTEE FOR THE INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

New York, 14 January 2002

Chairperson,

The process for preparation of the outcome of the International Conference on Financing for development has been quite substantive and rich. In our statement on the nature of outcome as well as in the last resumed session of the Preparatory Committee in October, we indicated that the outcome should comprise set of principles or objectives and action-oriented initiatives as well as a follow-up mechanism, consistent with the substantive agenda of the conference expressing the aspiration for the various aspects of financing for development. We also stressed that the action-oriented initiatives should contain measures and steps to achieve certain objectives and establish a follow-up mechanism for ensuring implementation, monitoring and review of the outcome of the International Conference on Financing for Development. The unique and long process of preparation for this international conference has made preparation of any draft outcome quite a challenging and very difficult task. While appreciating the efforts of distinguished facilitator for preparation of the revised draft outcome, the Group of 77 and China believes that the draft outcome has been revised quite drastically, therefore, in negotiation of various paragraphs in different chapters of this draft we will present our amendments as well as our additions, to improve this draft document.

Chairperson,

The Group of 77 and China has always underlined the cardinal principle that countries have the primary responsibility for their economic development. The domestic resources are the principal sources and the primary means to finance the developmental activities in any country. Developing countries are making every stride to create an enabling environment to expand the domestic resource base and strengthen mechanisms and institutions which can generate more resources and utilize them efficiently. Nevertheless, the most important and major factor in mobilizing domestic financial resources for development is the need for a supportive and conducive international environment. In a globalized world where interdependence has become a prominent factor, the mobilization of domestic resources cannot be viewed in isolation. The external environment is and will continue to transfer various sectors, our capacities and dynamics in our national economies for mobilization of domestic resources. Therefore, The Group of 77 and China believes that a supportive and conducive international environment is essential for mobilization of domestic resources in all its aspects and we would like, among others, to address this issue in the relevant paragraphs in the draft outcome of International Conference on Financing for Development.

Chairperson,

The mobilization of international resources for development through foreign direct investment and other private flows is a major topic before us, particularly in the light of the globalization process and financial liberalization. In recent decades international financial resources, private flows in particular, have become a major source of financing for a number of developing countries and increasing rapid flows of these resources has constituted an important trend in the globalization process. Their global impact on development has been quite pronounced and recognized.

While we agree with many elements in the relevant chapter within the draft outcome document, nonetheless,

we believe the document lack necessary elements to encourage specific initiatives and activities to strengthen cooperation in this field at various levels. We would like to stress the need for the establishment of some necessary arrangements for facilitating cooperation among developing countries' business sector with their counterparts in the developed countries; creation of an inventory of lessons learned to strengthen such linkages and enhancing the successful practices to transfer and disseminate technologies as well as to build local research and development capacities; establishment of an inventory of source country measures to enhance FDI outflows to developing countries; removal of the artificial domestic constraints; and to take necessary measures to promote such flows. The role of credit-rating agencies and the objectivity, transparency, and accuracy of their activities should be addressed as well. The Group of 77 and China would like to emphasize that necessary measures should be taken to address the excessive volatility of short-term flows including through prudential regulations at various levels and sectors.

Mr. Chairperson,

Trade is the most important and multidimensional mechanism for almost all developing countries to mobilize and expand the resource base, both domestic and external, for financing for development. Trade is also the major instrument for integration in the international economy which can have very positive spill-over effects, including in the areas of foreign exchange earnings, expansion of domestic savings, employment, expansion of tradable sectors, facilitation of transfer of technology, increase in productivity, promotion of economic growth, and eradication of poverty. The Group of 77 and China believes that an open, rule-based, transparent and non-discriminatory and predictable multilateral trading system is an essential component for the global economic system and would contribute profoundly to the world economic growth and smooth integration of developing countries into the world economy.

The draft outcome in its chapter on trade has highlighted some of the principles and main issues under consideration in multilateral institutions and arrangements. However, the group of 77 and China believes that development has a direct relations with trade and it should be the substantially addressed in institutional arrangements and trade negotiations. Trade barriers, subsidies and other trade distorting measures particularly in agriculture, textile and steel have adverse impact on the ability of many developing countries to exploit their comparative advantages and seriously constraints their ability mobilize necessary resources for development, therefore they should be abolished. Moreover the abuse of antidumping measures and technical barriers and sanitary and phytosanitary measures should be prevented and developed countries should eliminate export subsidies, agricultural and textile subsidies, trade barriers in manufacturing particularly labor-intensive manufactures and fully operationalize the special and differential treatment provisions in trade for developing countries.

Other important measures for enabling developing countries to benefit from the opportunities of international trade, are technical and other assistance. There should be fully funded programs of technical and other assistance for developing countries to support their trade liberalization programs, capacity-building, human resource development. Such programmes should assist them to have consistent trade and development policies, enhance their enterprise competitiveness, diversify their exports, increase their technological content of their exports and improve their effective participation in the international trading system including through the elimination of supply-side constraints.

Chairperson,

The Group of 77 and China would like to stress the importance of strengthening and increasing international financial cooperation for development through, inter-alia, Official Development Assistance (ODA), these flows have been facing a very uncertain situation in recent years. The draft outcome before us has addressed major issues surrounding official flows including ODA and we will try to raise some issues to complement those issues. The Group of 77 and China believes that as an urgent priority the ODA should increase to

annual equivalent of 0.7 percent GNP of developed countries. The ownership of development assistance by the recipient countries should be ensured and the developing countries should be in driving seat in designing, implementation and evaluation of development assistance programmes. The recipient countries capacity for the management of such programmes should be promoted and their absorptive capacity to utilize aid should be enhanced. Regarding global public goods we believe a universal, fully participatory intergovernmental process should be established to define them and financing for them should be additional to other forms of assistance and aid. There is also a need for various forms of official assistance to contribute to help social sectors at the time of financial crises and economic down turn.

Chairperson,

External debt is a crucial challenge for almost all developing countries to varying degrees and there is a need for appropriate strategies compatible with a range of situations. Over the years some mechanisms and measures have been introduced to mitigate the adverse impact of external debt on developing countries, nevertheless, the existing evidences and facts clearly indicate that there are grave shortcomings in the existing international initiatives for resolution of debt problems of developing countries. While cognizant of the fact that few elements of this important issue have been addressed in another chapter, we would like to reiterate our previous call for the necessity of more attention to this chapter in the draft outcome and put on the record that this chapter still do not address some of our major concerns. The Group of 77 and China believes that technical assistance should be provided to the developing countries to improve their debt management. Bilateral and multilateral creditors should be urged to pursue debt relief including debt cancellation vigorously and expeditiously for highly indebted developing countries. The HIPC initiatives should be fully financed through additional resources and every effort should be made to reduce the administrative and human resource cost associated with HIPC initiatives at the national level. Resources provided for debt relief should be additional and not detracted from the resources intended to be available for developing countries and the resources released by debt relief measures should be used consistent with national development policies and priorities. Moreover, we collectively should find a comprehensive solution to the problems of external debt of developing countries which drain the debtor resources and divert them from development.

Chairperson,

We would like to underline that enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development, should be a paramount objective of the financing for development process, including the outcome of the Monterrey Conference. The Group of 77 and China believes that the existing institutional arrangements and international cooperation in these fields are lagging far behind the process of economic and financial integration at the global level. The steep asymmetry existing between the dynamic development of financial markets and the absence of suitable macro-economic and financial governance at the global level is a serious challenge that should be addressed. Our heads of state and government in Millennium Declaration have resolved to create an environment - at the national and global level alike - which is conducive to development and to the elimination of poverty. Adequate representation and broad and meaningful participation of developing countries in the international economic decision-making and norm-setting processes is imperative. In fact, enhanced representation can actually bolster the effectiveness and efficiency of the relevant international forums and committees with responsibilities in the governance of the international economy. Transparency, accountability and policy coordination are major factors and fundamental objectives for the international financial and trading institutions and can contribute tremendously to the promotion of a more equitable world economic growth. It is a fact that international organizations have made important strides towards improving transparency and accountability in their operations. There is still enormous room to improve the existing arrangements for norm-setting and policy coordination. Furthermore, The Group of 77 and China firmly believes that a major challenge before the world community is to construct an international financial system that is responsive to the priorities of growth and development on a global level, particularly in the developing countries, and geared to the promotion of

economic and social equity. The United Nations can certainly play an important role in the international efforts to build up the necessary international consensus for the needed reforms. Among others, these are some of the elements that we believe should be addressed in the draft outcomes and we will present our specific proposals on various paragraphs in the chapter on systemic issues.

Finally, Chairperson, let me address the follow-up mechanism in the draft outcome. The Group of 77 and China believes that a strong mechanism for follow-up of International Conference on Financing for Development is vital for achieving a successful outcome for this process. This mechanism should have the capacity to follow-up and monitor full implementation of agreements and commitments reached at the conference, engage all stakeholders in the follow-up and monitoring, and be able to review the implementation and envisage further initiatives for implementation of the outcome of this conference and continue to build bridges between development, finance and trade deliberations and initiatives. The Group of 77 and China believes that the United Nations as the most universal multilateral forum and its main bodies with rich experiences for bringing together all relevant stakeholders has the capacity to establish the necessary mechanism to be the effective focal point, with appropriate arrangements and forums including the relevant institutional stakeholders to follow-up this conference. We will reflect on that substantially when we consider this issue in the relevant chapter.

Thank you, Chairperson,