

Statement by Mr. Mohammad Ali Zarie Zare (Islamic Republic of Iran), on behalf of the Group of 77, at the Second Session of the Preparatory Committee for the High-Level International Intergovernmental Event for Financing for Development: Increasing international financial cooperation for development through inter alia Official Development Assistance (ODA)

Thursday, 15 February 2001

Mr. Chairman,

As we begin our discussions geared towards strengthening and increasing international financial cooperation for development through, inter-alia, Official Development Assistance (ODA), these flows face a very uncertain situation this year. The major reasons for this uncertainty being emphasis on emergency assistance to crisis-impacted countries as well as the different prospects for a sustained rise in ODA levels by individual donor countries. It should be underlined, however, that these uncertain prospects will not change the importance and the critical role that ODA plays in the development process of all developing countries, in particular LDCs, African countries, Small Island Developing States (SIDS), small and vulnerable economies, and Land-Locked Developing Countries. It contributes tremendously to the desired goals of sustainable economic growth and poverty reduction. Although global ODA flows have been declining, ODA still continues to have a significant impact in complementing the endeavors of developing countries in their development process. For many developing countries, ODA has, in its various forms, served as a source of financing for provision of technical assistance, development of human capital, capacity building to overcome constraints of remoteness and isolation from the world markets, expansion of infrastructure and productive capacity, diversification of export bases, and improvement in the overall environment conducive to a higher level of public and private sector activities. Before turning to specific sub-items, let me just re-emphasize the need for genuine international partnership for reviving and strengthening international financial cooperation.

Volume of Official Development Assistance. It looks like good old days when ODA flows peaked in early 1990s. Since then they have been steadily declining, both in relative and real terms. Ironically, this decline has coincided with the general improvement in the fiscal situation of many developed countries, quite significant in some, and also with a parallel trend by the UN major conferences in the 90s in setting a clear programmatic basis for development cooperation in many areas. The ODA volume has declined as a percentage of donor countries' GNP as a whole from 0.33% in 1992 to 0.24% in 1999. This unfortunate trend has been attributed to a host of reasons, including political motives related to the end of the Cold War. It is also noteworthy that the efforts in recent years by the UN Funds and Programmes towards developing operational frameworks in order to gauge better the relation between resources and results do not seem to have helped the situation either. In any event, it is imperative that the declining trend should be halted in the first place, reversed dramatically, and eventually, the existing critical gap be bridged effectively. The resources for ODA should be provided on a scale that would ensure matching the short- and long-term needs of the developing countries.

The Group of 77 and China believes that the ODA has a key role to play in ensuring that the benefits of globalization would be shared more equitably by the developing countries. Needless to say, for this to become a reality it is incumbent upon the developed / donor community to redouble their efforts, which requires, first and foremost, the requisite political will to increase the amount of ODA towards meeting their international commitments. As underlined a moment ago, the very first step is to halt the declining trend and reverse it; which calls for a number of developed countries to keep the current level of assistance around the agreed target and for a larger number of other developed countries to reverse the gear and increase the volume substantially towards reaching the agreed target of 0.7 % of GNP and of course, expeditiously at that. In calling for this the Group of 77 and China appreciates the call by Mr. Horst Kohler and Mr. James Wolfenson in their joint statement of 22 December 2000, " upon industrial countries to raise their Official

Development Assistance towards internationally agreed levels.” Another important aspect in this regard concerns the question of flexibility in the provision of ODA. It may simply sound redundant, if not outright tedious, for us to draw attention to such critical considerations as flexibility and non-conditionality. But, as everybody knows, these are important considerations for the developing world. We deem it necessary to further underline that the level of concessional resources should be compatible with the development situation and needs of the recipient countries. Moreover, various aid channels should provide them with a range of options, appropriate to their particular needs. It is exactly from this vantage point that we view with serious concern the continuing weakening of voluntary contributions to the core resources of the Funds and Programmes of the United Nations system. Provision of requisite and adequate resources, on an ensured, reliable basis, by the developed / donor community to various multilateral aid agencies, the UN Funds and Programmes in particular, would enable these agencies and institutions to fulfill their mandates and sustain a range of ODA mechanisms and channels commensurate with the task and the developmental needs of developing countries.

Aid effectiveness and efficiency. The Group of 77 and China is fully cognizant of the imperative of improving the effectiveness and efficiency of aid delivery and utilization, and stresses its desire towards its realization. A number of factors are involved in this regard, including the policy and institutional preconditions in recipient countries, the volume of the available resources and the level and nature of transaction costs in the aid delivery system. We agree, in principle, with the proposition that developing countries need to develop policies and create the necessary domestic environment conducive to the expansion of international financial development cooperation. It is equally important, however, to note that for such conditions to materialize the ODA should assist the developing factors that directly impact domestic resource mobilization, and in a more practical sense, complement and reinforce the domestic efforts. To take one step further, I should add that for the ODA to serve the purposes it is intended for the development priorities of the recipient countries should form the basis for setting the objectives of aid assistance – obviously within the range of the objectives recognized by the international community. Ownership of the recipient countries in the formulation of programmes and projects as well as in their implementation should also be ensured. As for the overall objectives of international assistance, it hardly needs to be emphasized that poverty eradication has been recognized by the international community, most recently at the highest possible level by the Millennium Summit, as the overriding objective of official international assistance. Hence, such assistance should be geared to and supportive of the national poverty eradication strategies of developing countries.

At this point, I should as well call attention to a number of other pertinent considerations. First, I begin with the volume of the resources, as a critical factor for effectiveness and efficiency of international aid. As is public knowledge, duration of many developmental programmes has been extended and many projects have been downsized as a result of lack of required resources. The negative impact of such a situation, on the ground as well as in casting doubt on the very concept of international aid or its efficiency and effectiveness, can simply not be ignored or underestimated. A second point concerns the administrative complexities and high transaction costs that recipient countries usually have to face and shoulder in the management of international assistance. In our view, harmonization and simplification of operational policies and procedures of international assistance is a primary requirement to address this challenge. The recipient countries can also play a positive role in this regard through active and proactive participation in the formulation and harmonization of such policies and procedures. Now we arrive at a seemingly vicious circle; that is, many developing countries need to be assisted towards the creation of the necessary capacity to play such a role. Which brings us to the very crux of development or lack thereof- existence of the capacity to get things done the right way. We all know that there have been attempts at increasing and improving aid effectiveness, which, to be objective, leave much to be desired. We may yet have to explore alternative approaches and mechanisms. As a very general rule of the thumb, donors should be cautioned against making excessive or unrealistic demands on recipient countries. The concept of flexibility, which I alluded to earlier, applies here as well.

Global public goods and services and innovative source of financing. It is true that globalization has led to the increase in the volume and pace of trade and finance and expansion of communications, but these are not the only results. There are a wide range of goods and services which have traditionally been considered within the purview of national domain and now have become global public goods and services, and which can no longer be provided through domestic policy alone. And therefore, a strong and genuine international partnership and cooperation is necessary to ensure the stable and continued provision of such goods and services. I doubt that there could be any dispute on the proposition that the provision of global or regional public goods and services requires international cooperation. I should, however, raise a related concern, a serious one, that these new global public goods and services seem to be drawing away much of the attention and resources sorely needed for the conventional official development assistance programmes. The remedy, in our view, lies in the mobilization of new and additional resources to address the GPG concerns. Various options, including new and innovative sources of financing, should be explored to ensure providing the necessary resources for global public goods. To this end, the Group of 77 and China will be ready and willing to support any joint initiative of the multilateral development banks, the UN Funds and Programmes and other relevant UN institutions, and most certainly, with the assistance of ECOSOC, and participation of all stakeholders from developed and developing countries, to review the financing and institutional arrangements to support the provision of global public goods (GPG), including through innovative sources of financing. That said, to close the statement, I deem it necessary to underscore the urgent need for a substantial increase in the resources for the conventional official development assistance programmes.

Thank you very much, Mr. Chairman.