STATEMENT BY AMBASSADOR S.R. INSANALLY, PERMANENT REPRESENTATIVE OF GUYANA TO THE UNITED NATIONS AND CHAIRMAN OF THE CROUP OF 77, IN THE INFORMAL MEETING OF THE AD HOC OPEN-ENDED WORKING GROUP ON FINANCING FOR DEVELOPMENT

March 16, 1999

Mr. Chairman,

Although it has been agreed that at this stage our discussion should be free flowing and interactive, the Group of 77 and China would like to make an introductory statement on the subject in order to provide a context for our later interventions.

I should perhaps begin by expressing the hope that our discussions will be guided by a spirit of conciliatory and constructive dialogue. While it would be unrealistic to expect agreement on every count, we believe that with the right approach it is possible to find common ground in many areas. This process in which we now engage, if properly managed, should yield some indication of what is doable and also spark the political will to do it.

In order to make progress, we would do well to keep in mind the principal objective of this working group: to determine the form, scope and agenda of a future event on. financing for development. These consultations are therefore not an end in themselves. They must somehow help us achieve our objective to establish a suitable forum for their discussion.

We also need to remind ourselves that the Secretariat's index report (A/53/470), is but a broad framework and point of departure for our discussion. in our examination so far or the themes contained in the report, our Group has taken the view that while we should not shy away from looking at the individual elements listed, we need not slavishly follow the arbitrary division reflected therein or accept any hierarchy in their undertaking. The discussion on the mobilisation of domestic revenues is thus only a convenient start to an integral and comprehensive consideration of the topic. As the discussions evolve, we will better be able to appreciate the relative balance to be given to each theme and their interconectedness.

We believe that a holistic perspective of the issues and their interrelationships should be preserved throughout this exercise. Many of the issues are inter-linked in a various ways and therefore cannot and should not be viewed in isolation. Inter-linkages among issues, and their development dimension, must be kept in view throughout the course of this exercise. We would rely on the co-vice-chairman to help preserve such an approach throughout our deliberations.

With this in mind, the G77 and China wishes to recommend that the co-vice-chairmen prepare an informal paper at the end of the second round of informal discussions in April, which would tale account of the issues raised and serve as a basis for a further exchange during our, consultations starting in May.

Let me now turn my attention to the substantive issue on our agenda today, namely mobilizing domestic resources for development.

Developing countries are fully persuaded of the cardinal importance to development of domestic resource mobilization. It is fair to say that developing countries have relied overwhelmingly on their own resources to finance their development. In fact, domestic resources are the primary means for financing in most, if not all, countries, regardless of their stage of development.

In keeping with the spirit and letter of the Agenda for Development, which developed and developing countries painstakingly negotiated two years ago, the Group of 77 countries have accepted primary responsibility for their economic and social progress. By attempting to pursue sound financial, monetary and administrative policies, by enhancing their human resources, good governance and cooperation with civil society, they have demonstrated their readiness to follow the prevailing prescription for success. Many developing countries have opened up their economies, liberalized trade and taken other measures in keeping with a more market-oriented approach. In the end, however, given the level of underdevelopment of most, their best endeavours will fall for lack of international support in such areas as trade, ODA, investment and debt relief. Thus while the debate in recent times has shifted to the domestic front, with a strong emphasis on the need for "good policies", external requirements remain largely unfulfilled. It would therefore be going against the lessons of history and reality to address domestic efforts in isolation.

This is not to say that more cannot be done to better mobilize and deploy existing resources. Experience, past and present, teaches that the capacity to mobilize domestic resources is a function of many factors, both internal and external. The two go hand in hand.

Having agreed that the role of domestic resources is crucial to development we must proceed to examine how best to augment the domestic resource flow; how to devise steps and strategies to pull together more of what we have; and how to invest them prudently so that returns are maximised. We must also look at, the role of public finance and other options to broaden the existing resource base.

As we take a hard look at these issues, a number of critical questions will arise. Why are States and public authorities facing a dwindling of resources with government revenues declining as a percentage of GDP? This is a situation faced by all developing countries, particularly the least developed. What role do structural adjustment policies have in this shrinkage? How far have multilateral commitments and liberalization of trade deprived governments of developing countries of revenue from trade taxes? Have these been reciprocated by reduction of barriers to exports of interest to developing countries? How do we meet the shortfall created by the loss of these revenues? Resources gathered are in many cases diverted to debt servicing. How can governments in these circumstances meet the demand for increased social investment in vital sectors like health, education and eradication of poverty? In exploring the constraints on domestic resources, we must seek to find answers to them fundamental questions.

The special case of Africa and the least developed countries generally in domestic resource mobilization is not explicitly recognised in the index report, yet we need to highlight their problems. The resource base of these states is narrow, their marginalisation is extreme; human and institutional capacity is rudimentary and poverty is pervasive. They are the primary victims of globalization, deprived of adequate capital inflows, often battered by repeated natural disasters and overwhelmed by population pressures. Such countries have little ability or scope to garner domestic resources, and are at the same time faced with demands for investment in the social field. With many pressing priorities, they are hard put to reallocate resources from one sector to another. Many small island developing States face similar challenges. Our consideration of domestic resource mobilization must therefore be sensitive to the special circumstances of countries.

As most, if not all, governments have come to realise, the era of unrestrained globalization in which we now live has significantly diminished their control over their own affairs. However, even in the days when States were more masters of their own fate, there is hardly any instance of a county which achieved development on its own. At their initial stage of development many of today's developed countries had a steady inflow of resources from their vast colonial empires. Later, in the aftermath of World War II, a war-ravaged Europe was provided a Marshall Plan for regaining their lost progress. In more recent times, the development of a few countries ran be attributed to their indigenous efforts coupled with a highly supportive external environment.

We would therefore hope at the ensuing discussion will take cognizance of the realities and attempt to deal with them in a practical fashion. Only in this way can we prepare the ground for a new and meaningful dialogue on international cooperation and more particularly the role of domestic resources in development.

I thank your, Mr. Co-Chairman.