

**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 on Financing for Development: Addressing Systemic Issues: enhancing the coherence and consistency of the International monetary, financial and trading systems in support of development**

**New York, 21 February 2001**

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Mr. Chairman,

As we begin our discussions on the systemic issues, we would like to underline that addressing these issues, including enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development, should find a paramount place in the financing for development process and its final outcome. 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 macroeconomic and financial governance at the global level is a serious challenge that should be addressed. Our heads of State and Government have stated in the Millennium Declaration that the central challenge we face today is to ensure that globalization becomes a positive force for all the world's people and that only through broad and sustained efforts to create a shared future, globalization could be made fully inclusive and equitable. These efforts must include policies and measures, at the global level, corresponding to the needs of developing countries, while ensuring that they are formulated and implemented with their effective participation. Furthermore, They have resolved to create an environment - at the national and global level alike - which is conducive to development and to the elimination of poverty. Bearing in mind these solemn commitments of the Millennium Summit, it is indeed a matter of great satisfaction that the first sub-heading of this agenda item is the question of improving the global governance, associated with the request to promote broader participation in decision-making and norm-setting processes.

Participation. Adequate representation and broad and meaningful participation of developing countries in the international economic decision-making and norm-setting processes is imperative in the context of promoting increased and more equitable distribution of the benefits of globalization and world economic growth. 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. The Group of 77 and China believes that the Financing for Development process can support relevant international institutions in their objectives of being fully responsive to the development challenges, by encouraging concrete actions for improved representation and effective participation of developing countries in the policy- and decision-making processes and standard-settings. Meaningful increase in the representation and effective participation of developing countries in global financial governance is urgently needed; inter alia, in the Financial Stability Forum, in the BIS and Basle Committee, and in a general sense, in the BWIs policy- and decision-making processes. A greater representation and participation of developing countries would not only promote their interest in those forums, but as well help enhance legitimacy of those very institutions. And furthermore, a wider array of diverse insights and perspectives will, in its own turn, promote the sense of "ownership". In this context, there is ample room for improving the existing arrangements for norm-setting and we are fully prepared to engage in a fully inclusive, participatory, accountable and open collective endeavors with the cooperation of Financial Stability Forum and relevant international bodies, towards the development of requisite procedures and operating modalities of the financial sector. Furthermore, the Group of 77 and China also stresses that bodies with restricted membership undertaking any function or action with implications for

global governance should explore ways and means and implement specific measures to ensure meaningful engagement of all relevant non-member stakeholders and secure their views, including through broader representation and effective participation of developing countries and also ensure that their policy recommendations with global repercussions will be discussed in universal intergovernmental bodies.

Transparency, accountability and policy coordination. These 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. To this end, the Financing for Development process should support and encourage the ongoing reforms of the international financial institutions, in order to make them more responsive to the evolving globalization and development challenges, in particular the needs of developing countries. The coherence of international monetary and financial policies with international trade policies and their compatibility and consistency with development objectives and commitments is a serious challenge before all of us. Some formal arrangements for improving such coordination already exists among the relevant bodies. Nevertheless, much more is needed to further extend and strengthen coherence and consistency among BWIs, WTO and the United Nations, including through mainstreaming the institutional coordination and coherence among them. Improving regional and sub-regional cooperation and coordination arrangements and these arrangements with global bodies in monetary and financial matters in support of development and also improvement in the prevention and management of financial crises in developing countries deserves more attention and positive consideration. Furthermore, such arrangements could be extended to the international trade, investment, monetary issues and financial sector oversight. The United Nations regional commissions could also contribute to this process through dissemination of existing experiences and good practices.

Strengthening the international financial architecture. 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. This is a major and yet a delicate task for the international community. The United Nations can certainly play an important role in the international efforts to build up the necessary international consensus for the needed reforms. Moreover, we have already agreed on some of the basic elements in the international forums including in the United Nations in resolution A/C.2/55/L.41.

In so far as the multilateral surveillance, particularly by the IMF, of the economic and financial policies is concerned, we can go along with the conclusion that it is both a service to individual members and a global public good. Moreover, the Group of 77 and China underlines that practical steps should be taken to promote it in a symmetrical manner, bearing in mind the importance of developed countries. Major industrialized countries with significant weight in influencing world economic growth should take into account the impact of their macroeconomic policies on the overall environment of global growth and development, in particular of developing countries. We are cognizant of the importance of establishing policy frameworks, institutions, rules and regulations and provision of the infrastructure and norms, which could contribute to maintain a set of sound macroeconomic and financial policies and institutions conducive to sustained economic growth and development. Nonetheless, There is a strong need for a conducive international financial environment which is supportive to the national efforts in this respect. It should be further underlined that the implementation of international prudential standards and regulations for national financial systems should take into account the various stages of economic development and administrative capacities of countries as well as their different cultural and legal traditions. Developed economies, all relevant financial markets and institutions, including highly leveraged institutions, should also be subject to prudential standards and regulations. There is also room for promoting the scope of effective multilateral surveillance of international financial markets, including considering arrangements in destination and source countries to reduce the risks of excessive

international financial volatility, including through promoting early warning, prevention of financial crises and capacity building in developing countries. Regional and other arrangements among countries for promoting mutual surveillance should also be encouraged and not discouraged. Consideration should also be given to the possibility of establishing regulatory frameworks for short-term capital flows and trade in currencies.

Furthermore, the Group of 77 and China reiterates that the internationally supported adjustment programs should be development-oriented in a broad sense, and get respecting the realm of national sovereignty. We believe that the international system should respect national autonomy, especially in the areas of management of the capital account and choice of the exchange rate regimes. It hardly needs any reiteration that the selection of development strategy is a critical area where national autonomy should prevail. We concur with the United Nations Task Force conclusion that domestic economic and social development strategies and institutions " by their very nature should be decided by legitimate national authorities, based on broad social consensus".

The Group of 77 and China strongly supports, in principle, the role of the IMF in providing financial packages before and during crises. These packages play a vital role in providing a fundamental global public good and financial stability. In fact, we consider that enhanced provision of emergency financing during crises should be a pillar of the system to prevent its contagion effect and manage the crisis situations. In this context, a useful role could be played or could have been played by regional and sub-regional financial institutions or arrangements, in particular in dealing with financial crises and the stability of the international financial system, and therefore should be considered with open mind by the international financial institutions concerned.

Strengthening the role of the United Nations. The Group of 77 and China firmly believes that the United Nations, a central pillar of the international system, acting in collaboration with Bretton Woods Institutions and the World Trade Organization, should play a key role in the guidance and management of global economic integration and in the development of adequate international policy responses in order to contribute to the equity, stability, coherence and consistency of the international monetary, financial and trading systems. The capacity of the United Nations should be strengthened to enable it to promote a broad-based and participatory dialogue and to utilize that capacity to ensure that globalization contributes to development and that its benefits reach all people, and to contribute enormously to the development of open, equitable, rule-based, predictable and non-discriminatory multilateral trading, monetary and financial systems. In this context, we note that the world leaders attending the Millennium Summit resolved to " reaffirm the central position of the General Assembly as the chief deliberative, policy -making and representative organ of the United Nations, and to enable it to play that role". Constituted as such and equipped with various open and participatory settings and arrangements, the General Assembly is in a unique position to address broad, cross-cutting policy questions relating to global economic growth, stability, equity and integration. It can also contribute to identifying and dealing with institutional and policy gaps and policy issues of global concerns.

At the same time, we should also reaffirm the role of ECOSOC in policy coordination in economic and social matters, as well as the importance of its regular interaction with Bretton Woods institutions. We agree that the coherence and consistency of international monetary and financial policy with international trade policy, and of both sets of policies with development objectives and commitments have been a concern of the international community. These concerns and general policy coordination issues in international economic, social and related matters could be discussed in ECOSOC. We believe Financing for Development process provides an excellent opportunity to make progress in this vital area. The United Nations, BWIs and the World Trade Organization should work innovatively and constructively on issues related to the international monetary, financial and trading systems, especially their consistency in support of development. In this context, we deem it necessary to emphasize the important role of UNCTAD as the major institution within the United Nations system for following and studying inter-linkages, interaction and impact of financial,

monetary and trade policies with and on development.

Finally, Mr. Chairman, as far as this part of the agenda is concerned, consideration of issues related to follow-up and implementation of the Financing for Development outcome is imperative. We expect that many of the initiatives and actions in this area would require concrete implementation by a wide range of forums. International institutions and the United Nations system should be prepared to undertake the necessary measures for monitoring, implementation, review and update of these initiatives and actions. The Group of 77 and China is prepared to consider proposals for an appropriate institutional follow-up and review of the final outcome of the Financing for Development process.

Thank you very much, Mr. Chairman.

