STATEMENT BY HON'BLE MR. E. AHAMED, MINISTER OF STATE FOR EXTERNAL AFFAIRS & HEAD OF DELEGATION AT THE HIGH-LEVEL DIALOGUE OF THE GENERAL ASSEMBLY ON FINANCING FOR DEVELOPMENT ON JUNE 27, 2005

Mr. President,

We welcome this opportunity to participate in the High-level Dialogue of the General Assembly on Financing for Development. We have consistently held that the United Nations should have the pivotal role in setting the global development agenda, including in relation to trade, external debt, money and finance, and technology, and in providing political guidance to the work of the Specialised Agencies, including, in particular, the World Bank, the International Monetary Fund and the World Trade Organisation.

Mr. President,

The Monterrey consensus emphasises the role of the State in socio-economic development and the importance of public investment in this context. We believe that the role of the State should not be limited to providing a favourable macro-economic, legal and regulatory framework for private sector growth and for attracting investments from abroad. It needs to undertake substantial investment in human development sectors and in basic physical, social and institutional infrastructure.

There is urgent need for transforming the Monterrey consensus into concrete action. We welcome the recommendations of UN Secretary-General to establish fixed time-tables for developed countries to achieve the 0.7 percent target by 2015 at the latest, with an intermediate target of roughly doubling aid to 0.5 per cent for 2009, and to direct more aid to the least developed countries, as well as to make concrete commitments to improve the quality of aid.

The absence of substantial progress in infusing adequate amounts of additional Official Development Assistance [ODA] to meet the Millennium Development Goals [MDGs] has prompted exploration of various innovative financing mechanisms. It is a truism that enhanced rates of growth cannot be achieved without increasing the investment ratio and the marginal output capital ratio. In short, both finances and efficiency are required. The Sachs Report has clearly concluded that ODA levels cannot be increased sufficiently, and sufficiently rapidly, to meet development needs, including the achievement of MDGs. Therefore, innovative financing is inevitable. Different proposals have been made to raise resources for development. These range from an international travel surcharge through a variant of the Tobin tax and allocation of developmental Special Drawing Rights [SDRs] to the most apparently popular, namely, an International Finance Facility [IFF] that would leverage the amount got by front-loading ODA in the money market, presumably through bonds. In any case, it would be important to ensure that ODA does not fall below a pre-committed level. These proposals for innovative mechanisms continue to face several challenges. In this context, we stress the need to ensure that new mechanisms and new sources should not lead to greater burdens on developing countries. Innovative financial mechanisms and innovative sources of financing should not impact adversely on the existing level of resource flows.

While ODA would help achieving the MDGs, trade would help in sustaining the gains. In this context, it is important to make the Doha Round of Trade talks development-oriented in reality and to bring the Round to a conclusion expeditiously. A major reform of agricultural trade and subsidies policies in developed countries is needed so that agriculture can become an engine of growth and poverty reduction in developing countries. Liberalisation of services sectors to facilitate exports and removal of service provision restrictions will be essential to enable countries to reap the benefits of their comparative advantages. Developing countries need greater protection for their biodiversity resources and fair recompense for its exploitation by others. It is time to bring down the barriers not just against trade but also the barriers to development erected in several industrial economies which deny opportunities for faster growth in developing countries. In the case of Non-Agricultural Market Access [NAMA], it is particularly important that any reduction formula adopted does not infringe the principle of special and differential treatment and the flexibilities available to developing countries in the July 2004 Framework Agreement. We welcome, in this context, UN Secretary-General's call to conclude the Doha Round of trade negotiations by 2006, as long as the outcome would give substance to the claim that this would be truly a 'development round'.

Mr. President,

Statistics from Sub-Saharan Africa demonstrate that debt-constrained structural adjustment policies compounded the problem through decline in agricultural investment. It logically follows that any achievement of MDGs in a sustained manner, leading to real economic transformation, is hardly possible without a fundamental reform of international economic and monetary institutions. Democratic deficit in the governance of Bretten Woods Institutions needs to be addressed to enhance legitimacy, transparency, accountability and ownership of decision-making process. Since Monterrey, the progress has been limited to and distracted by peripheral issues which are not central to enhancement of 'voice' in decision-making. We would strongly urge gaining of momentum towards tackling the central structural issue of voting power. The need for greater voice and representation of the developing countries in the international financial institutions and the decision-making processes cannot be over-emphasised. Good global economic governance is as important as good national governance for economic efficiency.

We support the extension of further debt relief to Highly-Indebted Poor Countries [HIPCs] and low-income countries facing problems of inadequate resources for financing MDGs. This, we feel, is of critical importance for the economic stability and prospects of the highly indebted and the least developed among us. Debt payments and worsening terms of trade can neutralise all efficiency gains from good governance and sound macro-economic management, and reduce resources available for education and public health. That is why it is important that debt write-offs have to be accompanied by better terms of trade, greater access to markets and investment inflows. Further, debt sustainability should not be only for the purpose of attaining the MDGs.
Mr. President,

As in the case of international trade, financial and monetary organisations, so also in the currently strongest body of the United Nations, it is only the permanent membership of developing countries as a group in solidarity, which can contribute effectively to realising the political and economic agenda of the developing world. This would increase policy space and participation for all and the change in the co-relation of forces would strengthen the General Assembly and the Economic and Social Council. Such change can help in re-establishing the pivotal role of the United Nations, where the UN sets the agenda and BWIs and other institutions follow. The September event gives us the opportunity to restore development as the centre-piece of the global agenda with primacy of the United Nations.

Mr. President,

India recognises the need for an effective mechanism to assess the implementation of commitments and agreements reached at the Monterrey Conference. The annual meetings of the Economic and Social Council (ECOSOC) with the Bretton Woods institutions, World trade Organisation and the United Nations Conference on Trade and Development should serve this purpose. The need for greater synergy between the annual meetings ECOSOC with the Bretton Woods Institutions and WTO and the UNCTAD on the one hand, and biennialised high-level meeting of the General Assembly on the other, is also recognised. But coherence between the UN and the Specialised Agencies is, by itself, not enough to accomplish this. For this reason, we are not convinced of the recommendation of UN Secretary-General to establish an executive committee of the ECOSOC to facilitate cooperation with multilateral institutions dealing with trade and finance. The UN has to not only play a predominant role in setting the direction, but in delineating and guiding the international macro-economic agenda.

Thank you, Mr. President.

BACK TO TABLE OF CONTENTS