



INTERVENTION BY HON'BLE MR. E. AHAMED, MINISTER OF STATE FOR EXTERNAL AFFAIRS & HEAD OF DELEGATION AT THE ROUND TABLE ON THE THEME: 'ADDRESSING SYSTEMIC ISSUES: ENHANCING THE COHERENCE AND CONSISTENCY OF THE INTERNATIONAL MONETARY, FINANCIAL AND TRADING SYSTEMS IN SUPPORT OF DEVELOPMENT' IN THE HIGH-LEVEL DIALOGUE OF THE GENERAL ASSEMBLY ON FINANCING FOR DEVELOPMENT ON JUNE 28, 2005



Mr. Chairman,

At the outset, allow me to express my appreciation for your stewardship in guiding the deliberations on this important issue. We thank the UN Secretary General for his report entitled "Monterrey Consensus: status of implementation and tasks ahead", which we have read with interest.

Mr. Chairman,

The 'Financing for Development' process is among the major initiatives undertaken by the UN in recent years. It seeks to address the issue of making available finances on viable and predictable basis to the developing

countries in their efforts towards development and eradication of poverty. The Monterrey consensus of the International Conference on Financing for Development recognises that an international environment conducive to development is essential if developing countries are to achieve their development goals.

The Monterrey consensus itself represented a 'lowest common denominator' when compared to the projections of resource requirements made by the World Bank and other institutions in order to enable the developing countries to achieve the Millennium Development Goals. It should thus be viewed as a beginning,

and not a final destination, of the journey that we have begun collectively. There has been little progress in implementing many elements of the consensus. For example, since Monterrey, there has been little progress in implementing the agreement to enhance the participation of the developing countries in, and giving them a greater 'voice' in the decision-making processes of, international trade, financial and monetary institutions. It is extremely important, in our view, to address this question at a very early opportunity as it could have a direct and beneficial impact on the ability of developing countries to influence the multilateral trading and financial systems which do not always take their interests into account.

The institutional arrangements for decision-making in the international financial institutions still remain heavily weighted in favour of the developed countries. These imbalances which, in our view, represent a democratic deficit, should not be allowed to undermine the basic cooperative principles of the world economy. Progress has been limited to, and distracted by, peripheral issues. Improving the governance structures in the international financial institutions and thus reducing the democratic deficit in their functioning need to be approached through a structural reform aimed at redistribution of the voting power among member states. As agreed at Monterrey, we need to extend the discussion of voice and participation of developing countries in other policy-making bodies in financial and banking sectors. We agree with UN Secretary-General that time has come to initiate discussions on effecting the necessary changes in these institutions.

The debate on the global imbalances and its solutions has been continuing. These global imbalances, in our view, cannot be solved by independent or unilateral actions. It is also necessary, as highlighted by the Secretary-General in his report, that major countries recognise the impact of their macro-economic policies on all participants in the international economy and promote international cooperation to ensure an orderly winding down of all existing global imbalances. It is, therefore, important to give shape to a coordinated approach involving major global players and we recognise, in this context, the important role that IMF can, and should be encouraged to, play. During the last two years, there has been a paradigm shift in respect of both the focus of surveillance as well as the instruments of surveillance, reflecting the efforts of the IMF to meet the challenges of an increasingly integrated global economy. However, with regard to the strengthening of surveillance, despite possessing all available instruments, there are doubts about their effectiveness. It has been recognised that the origin of past financial crises was in the industrial countries and advanced financial centers. Much still remains to be done in improving the effectiveness and even-handedness of the Fund's bilateral surveillance across members. There is a growing body of opinion that the surveillance reports in the case of advanced economies remain rather weak. There is thus a need to recognise that while the role of Fund surveillance in programme countries is curative, in non-programme countries it is preventive.

The design of conditionality has given rise to the serious problems of proliferation, overload and intrusiveness

with respect to national ownership of Fund/Bank-supported programmes in member countries. We believe that conditionality should not only be made consistent with its intended purpose, but should also be responsive to the institutional realities in member countries for respecting sovereign decision-making. The international community can avoid asking a sick man to demonstrate his fitness by carrying out a tough regimen of exercise.

Mr. Chairman,

The Monterrey consensus, in the context of systemic issues, stresses the importance of enhancing the coherence and consistency of the international monetary, financial and trading systems. We believe that development cannot be achieved with piecemeal and uncoordinated policies. Coherence brings together strategies to harness all our resources in a coordinated and purposeful effort that can be sustained well into the future. Complete policy coherence is neither theoretically conceivable nor practically feasible. It

follows that realistic goals would be to remove the most obvious inconsistencies and try for greater coherence wherever a need for this is felt, by deepening the understanding of how different policies affect the development process, and by mobilising greater political consensus on the need for improving the way the decision-making procedures are organised. Those affected must participate in such decision-making. Further, in the context of globalisation, there are at least four areas of interaction that impinge on development, namely, aid, trade, debt and investment. Governments are increasingly aware that their policies with respect to each of these affect the sum of their contribution to development efforts. Governments can either work on these synergistically, in favour of development, or at cross-purposes, thus negating any positive effects of their initiatives in a particular sphere. For the developing countries, the former is imperative.

Thank you, Mr. Chairman.

BACK TO TABLE OF CONTENTS