

S T A T E M E N T

**by the Head of the Department of Economic Cooperation of
the Ministry of Foreign Affairs of the Russian Federation Andrey L. Kondakov**
at the meeting of the Second Committee at the 60th session of
the UN General Assembly
on Macroeconomic Policy Questions (item 50)

October 11, 2005

Mr. President,

First of all, I would like to refer to the report by the UN Secretary General on external debt crisis and development that, in our view, presents an objective view of the current tendencies in this area and allows to identify further moves on this track. We note with satisfaction that in 2004 overall debt growth slowed down and a number of regular debt indicators improved in developing countries. These positive trends in resolving debt problems, as the report suggests, were due to the noticeable acceleration of economic growth in this group of states, the highest over the last 30 years, that was sustained by a rapid growth of export of goods and services.

We stand for these efforts to be continued so as to let the positive changes take root. We believe that, to this end the forthcoming WTO ministerial conference in Hong Kong could and should play the most important role. The conference should become a turning point not only for the Doha Round of trade negotiations but also for

achieving the MDGs. We will speak about it in detail when discussing international trade. In our view, in the context of this debate, of great significance will be the decision on the full-scale cancellation of debt for the poorest countries of Africa to the IFIs in order to achieve the MDGs.

In our view, debt relief, first of all for the heavily indebted poor countries (HIPC), within the relevant IMF and World Bank Initiative is the most important source for mobilizing resources for development and resolving social issues.

Together with its G8 partners, Russia provides multifaceted assistance to this group of states and takes their interests into due account in its international activities. At present, Russia is among the leaders as to the absolute amount of debt cancelled for the poorest countries in the world. And this year, Russia intends to announce debt cancellation of \$ 2.2 billion for the poorest African countries on bilateral basis within the framework of the HIPC.

We consider the increase of the official development assistance (ODA) to be a serious and significant objective. On our part, we are considering the possibilities to expand assistance that we provide and to build up our donor capacity as well.

At the same time, we are confident that a “quantitative” increase in foreign assistance is not a panacea. Of no less importance is also aid quality and effectiveness to ensure a more stable and predictable basis for ODA, the improvement of the structure and modalities of the assistance provided.

In general, we support the appeal to consider the possibility of using innovative sources of financing for development on the basis of voluntary mechanisms in a long-term perspective and regard it as corresponding to the spirit and letter of the Monterrey Consensus.

We believe that the initiatives put forward in this respect by a number of states concerning the search for innovatory approaches to improve the existing system of

financing for development allow us to deepen and expand the frames of the discussion on possible approaches to meet the challenges facing the international community.

As to the introduction of international taxation, including the proposed tax on air tickets, we think it would be too early to take any specific obligation unless there is a broad consensus and approval by the parliaments of the countries involved in this idea of international taxation. And there are still some questions left with regard to the mechanism of implementation of this initiative, specifically, the method of accumulation of funds, their use and auditing. We hope that the pilot projects in this area, already launched or planned, will bring more clarity into what should be our further steps.

There are still serious conceptual problems as to the International Financing Facility (IFF). More specifically, this idea does not fit the budget legislation of many donor countries, including Russia. Apparently, the implementation of the initiative would be accompanied by serious legal problems. Besides, this idea actually separates the problem of achieving the MDGs and the problem of economic growth stimulation, treating these two issues independently. An automatic link between the identification of the main targets for assistance and the allocation of additional resources may lead to a redistribution of funds with detriment to the attempts to raise its effectiveness.

We support the international efforts, including those within the G8, to bring down the costs of migrants' remittances and to increase their stimulating influence on the development processes, primarily in the poorest countries. We think that it is an effective tool both for the support of the developing countries and for counteracting money laundering and a possible channel of financing terrorism.

Russia's currency regulations in remittances are quite liberal. According to the Central Bank of Russia, in the first half of 2005, the amount of money officially transferred abroad by foreigners working in Russia was \$1.3 billion, that is two times more than for the same period in 2004.

We continue our efforts to lower the charges for remittances in the Russian banking system and to facilitate the related procedures.

Mr. President,

Ensuring stability of the International Financial System (IFS) is one of the key factors in achieving the goals of sustainable development. In this regard, among other priorities we should choose the prevention of financial crises, strengthening of infrastructure in state financial and banking sectors, as well as improvement of their regulatory and supervisory systems. It becomes particularly urgent to render assistance in these sectors because of the settled opinion that the pace of liberalization of financial markets must strictly correspond to the specific economic and institutional conditions of separate countries. Besides, the effective functioning of national financial and banking systems is decisive for mobilization of inner resources to achieve development goals.

We appreciate the input of the United Nations into the elaboration of common approaches to the strengthening of the IFS, including through a closer dialogue between the ECOSOC, Bretton Woods institutions and the WTO involving regional financial institutions and regional UN commissions as well as the private sector. We hope that elaboration of such approaches will be in focus of our common efforts.

Thank you.