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Chairman: Mr. de Rojas . . . . (Venezuela)

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The meeting was called to order at 3.15 p.m.

Agenda item 95: Macroeconomic policy questions (*continued*) (A/52/284)

(a) Financing of development, including net transfer of resources between developing and developed countries (*continued*) (A/52/399, A/52/406)

(d) External debt crisis and development (*continued*) (A/52/290)

1. **Mr. Abdellatif** (Egypt) said that his delegation fully supported the statement made by the representative of the United Republic of Tanzania on behalf of the Group of 77. Paragraph 12 of General Assembly resolution 51/211 B requested the Secretary-General to ensure that documentation was distributed in the six official languages six weeks prior to the holding of the meeting concerned. Delays in the distribution of documentation relating to agenda item 95 (a) on the financing of development, which had been requested two years previously, were frustrating since they hampered the Committee's work. He hoped that such delays were due to the restructuring of the Secretariat, otherwise one would have to think that the restructuring of the United Nations had not achieved its desired objectives of efficiency. Issuing a report on the very day it was supposed to be discussed was a waste of resources, since delegations could not take proper advantage of it. As far as the issue under consideration was concerned, document A/52/399 did not cover all the areas indicated in resolution 50/93 on sources for the financing of development. It had not analysed the important aspect of coordination nor had it touched upon the issue of external investment in developing countries as a source of financing of key social areas such as health and the conservation of the environment.

2. It was extremely important and necessary to hold a conference on the financing of development. It was not enough to talk about official development assistance; the benefits that developing countries could derive from it and the obstacles to the financing of development should be considered, since it was an issue of vital importance to developing countries, especially in Africa. He was alarmed at the decline in ODA flows to developing countries, in particular the least developed countries, in view of the huge debts of those countries and the danger that such decline posed to the development process.

3. Furthermore, despite the efforts made in Africa to carry out structural adjustments, the measures did not seem to have met the international community's expectations. The Committee should consider that issue in order to try to find a solution that was acceptable to all.

4. **Mr. Zoubi** (Jordan) said that the economies of developing countries were usually characterized by volatility and their susceptibility to internal and external factors. Hence the general difficulty of planning that forced developing countries to shift their priority from improving their economies to preserving them. In that regard, they were forced to resort to external borrowing in an attempt to find solutions. Jordan was no exception. The country was currently striving to cope with a difficult economic situation that had been caused by the collapse of world oil prices in the early 1980s. The Government had been obliged to resort to external borrowing in order to finance its growing expenditures and to revitalize the economy. In 1989, in cooperation with the World Bank, Jordan had elaborated a comprehensive economic reform programme designed to curb inflation, reduce the growing external debt and stop the decline in the gross domestic product.

5. In the 1990s, Jordan's economy had been affected by various political factors, including the Gulf War. The number of unemployed people had increased following the forced repatriation of 300,000 migrant workers, who had been contributing to the economy. Furthermore, as a result of its commitment to implement the Security Council's resolutions on the sanctions imposed on Iraq, Jordan had lost a market which had absorbed 40 per cent of its exports prior to the crisis. The sudden increase in the population due to the return of migrant workers forced the Government to strengthen infrastructure and services in areas such as education, health, water supply and sanitation.

6. Jordan was an example of an indebted country which, in cooperation with donor States and agencies, was trying to implement economic reform programmes designed to achieve maximum benefits for its economy and to pay its external debt. However, after seven years of bold efforts to implement those programmes, Jordan was still among the 51 States classified as severely indebted by the World Bank.

7. Paragraph 4 of the Secretary-General's report on the debt situation of the developing countries as at mid-1997 (A/52/290) noted that "the external debt of net-debtor developing countries exceeded $1.8 trillion at the end 1996". If those countries reimbursed their debt at the rate of a dollar a second, it would take them over 57,000 years to pay off the entire amount. He wondered whether things would continue that way or whether the world would try to resolve that serious problem in another way in order to achieve sustainable development and economic growth.

8. **Ms. Alva** (India) said that her delegation endorsed the statement made by the Chairman of the Group of 77 on the important macroeconomic issues under discussion. The 1990s had seen profound changes in world financial flows. On the one hand, there was a downward trend in the volume of ODA, and on the other hand, there had been an unprecedented explosion in the international movement of private capital. Furthermore, the nature, distribution, composition and terms and conditions of those flows had changed. She wondered whether such changes were consistent with the international consensus on development and were appropriate to the needs of developing countries.

9. The Secretary-General's report on global financial integration (A/52/406) clearly acknowledged that sound domestic policies alone were insufficient to ensure sustained economic growth and avoidance of external shocks, particularly of a financial nature. There was also a need for a favourable international environment and coherence in macroeconomic policies, particularly among the world's leading economies. Developing countries had mainly relied upon their domestically generated savings to finance their investment for development. While that had been complemented by positive net transfers of external resources, such transfers had, on balance, averaged less than 1 per cent of the GDP of developing countries; moreover, most low-income developing countries had been excluded from such transfers.

10. It was argued that the most effective way to enhance finance for development was by attracting international financial flows by creating an enabling domestic environment. At the same time, at the 1997 high-level segment of the Economic and Social Council, it had been recognized that many of the steps necessary for the creation of such an enabling environment were beyond the control of developing countries and required international policy efforts.

11. There was a need for continued debate on the role of international cooperation in the area of finance for development, as well as a need to mobilize the requisite political will and external resources to complement the efforts made by developing countries at the national level. Those questions must be borne in mind when the need for an international conference on financing for development, including the capacity of the international financial and monetary system to cope with the challenges of the twenty-first century, was debated.

12. **Mr. Hassan** (Pakistan) said that the goal of development continued to elude the least developed countries since they had only limited resources, which were depleted in servicing their external debt. The situation was exacerbated by the negative effects of the structural adjustment process, the conditions imposed by the international financial institutions, the deteriorating terms of trade, the decline in official development assistance, the fall in commodity prices, and growing protectionism by the developed countries.

13. According to the report of the Secretary-General (A/52/290), the external debt of net-debtor developing countries had exceeded $1.8 trillion at the end of 1996, having risen by an estimated $110 billion during the year. The debt-service ratio had not dropped, either. As export earnings were forecast to grow more slowly in 1997, particularly in Africa, the debt-service ratio was expected to rise. His Government allocated 45 per cent of its budget to servicing its external debt; that heavy burden was an obstacle in attracting foreign investment and impeded economic and social development.

14. In recent years, various initiatives had been undertaken to provide some relief to the debt-ridden countries, including the Heavily Indebted Poor Countries Debt Initiative. That Initiative needed to be implemented rapidly and the criteria for participation should be interpreted with great flexibility, in order to ensure a rapid and lasting solution to the debt crisis.

15. Despite those efforts, many developing countries continued to carry an unsustainable debt load. Servicing of that debt imposed a high economic cost which left them especially vulnerable to changes in the marketplace and dependent on official development assistance, which continued to decrease. There was therefore an urgent need for an effective, equitable, development-oriented solution to the debt problem.

16. In addition to comprehensive and durable debt relief measures, the developing countries required a supportive international economic environment, including improved conditions for access to markets, access to technology and private financing and a stable international monetary and financial system.

17. The importance of finance for development could not be over-emphasized. Although his Government had been successful in attracting private capital through a policy of privatization and facilitating foreign investment, financial flows to developing countries were determined largely by the major industrialized States. In addition, national adjustment policies could achieve little unless supported by financial flows, especially increased official development assistance. Urgent action and concerted efforts were required to address those problems. His country therefore fully supported the holding of an international conference on the financing of development.

18. **Mr. Soeprapto** (Indonesia) said he concurred with the statement made on behalf of the Group of 77 and China and added that although the Heavily Indebted Poor Countries Debt Initiative was laudable and had great potential for alleviating the current situation, it did not in any way ensure a durable solution to the debt problem. Many developing countries, especially in Africa, were frustrated in their development efforts by their excessive debt burdens. His delegation believed that the debt strategy must be further refined to take into account certain fundamental points. First, the overall burden of the indebted countries should be reduced to allow development to resume. Second, a favourable external environment must be created with a view to ensuring stable, robust development.

19. Although national policies were of primary importance, they could not alone ensure success in an increasingly interdependent world. The developed countries must therefore employ sound macroeconomic policies, especially in the areas of trade liberalization, financial flows and monetary stability. At the same time, the international community must guarantee adequate access to markets for the products of the developing countries, as well as access to technology, stable exchange rates, reasonably low rates of interest, and predictable financial flows.

20. Each country must, for its part, restore macroeconomic stability through fiscal and monetary discipline, mobilize domestic resources, diversify exports and production, and design and implement its own adjustment programme. In so doing, it must take into account the needs of the most vulnerable groups of society. Such a "once-and-for-all" approach, long advocated by his country, had been reaffirmed at the Ministerial Meeting of the Non-Aligned Countries in New Delhi in April 1997. That meeting had called for reduction of the debt burden and adoption of an integrated approach for all types of indebtedness, whether multilateral, bilateral or commercial, in order to achieve a comprehensive, effective, equitable, development-oriented and durable solution to the debt and debt-servicing problem. It had also been emphasized that assessment of contributions from creditor developed countries should be based on the assumption that additional resources would be provided, so as not to divert scarce development funds towards debt relief.

21. His country supported the recent approach of the World Bank in implementing the development concept in a very broad and comprehensive sense, and urged the Bank to make poverty eradication programmes its highest priority. He also welcomed the recent decision to implement the Heavily Indebted Poor Countries Debt Initiative in Uganda, Bolivia and Burkina Faso and believed that the Initiative should be expanded to include other countries. His Government had already confirmed that it would support the Initiative by contributing to its Trust Fund.

22. He concluded by requesting some clarification of a few points in the report of the Secretary-General entitled "Debt situation of the developing countries as at mid-1997" (A/52/290). First, concerning the concept of sustainability, he pointed out that the criterion referred to in paragraph 41 of that report was too restrictive and could prevent a large group of countries from fulfilling the requirements for participation in the Initiative. He therefore wondered whether the definition of sustainability of debt servicing could be expanded to include a larger group of heavily indebted poor countries.

23. Second, referring to paragraph 49, he agreed that it might be necessary to give further consideration to the proposal to sell some of the IMF gold holdings and place a portion of the profits in the Enhanced Structural Adjustment Facility-HIPC Trust. Funds would in fact have to be found, whether through such a mechanism or through direct budgetary allocations by donors, since increasing numbers of countries would qualify. It was nevertheless important to ensure that donor countries also contributed through IMF to enable it to participate fully in the Trust Fund.

24. Third, he noted that the report did not make any reference to the need for social safety nets for vulnerable groups. Since paragraph 19 of General Assembly resolution 51/164 had stressed the urgent need to continue to provide safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups, his delegation considered that every effort must be made to comply with that provision.

25. Lastly, his delegation wholeheartedly supported the views expressed by the Secretary-General in paragraph 51 of the report.

26. **Mr. Olarte** (Colombia) said that the problems of financing of development and external debt continued to lack a satisfactory solution. In order to achieve sustainable development, the developing countries needed external financing, as well as assistance and technical cooperation from the international community. Because of the economic differences existing among the developing countries, the sources of financing must be differentiated. For the poorest and most vulnerable countries, financing must derive basically from United Nations development programmes and non-reimbursable multilateral and bilateral financing, with continuous technical assistance. The international community must accept the situation that there were countries which did not have debt capacity and could not pay their external debt.

27. Furthermore, the developed countries must recognize that the objectives of the globalization of the economy would be achieved only if the purchasing power of the developing countries was increased. To that end, his delegation felt that the following measures should be adopted: reasonable prices must be paid for the products exported by the developing countries; the official transfer of non-reimbursable resources must be increased; the flows of financial resources must be facilitated and increased, by means of credit; and capital circulation and the transfer of technology must be facilitated and increased through foreign investment.

28. At the same time, the developed countries must be made aware that the deterioration of the terms of trade, which was unfavourable for the developing countries, would become an obstacle to the strengthening, growth and development of the world economy, which were the objectives of globalization. Furthermore, the developed countries had to understand that the very survival of millions of people and the political and social stability of the developing countries depended on the stability and equity of the prices of their exportable products.

29. With regard to foreign investment as a source of development financing, he stressed that it basically had three advantages over credit financing: it was an effective mechanism for the transfer of technology in all fields; it improved entrepreneurship; and it ensured that, in their development process, countries had partners, and not only creditors, which was very valuable.

30. In order to prepare financially, economically and technically viable projects which corresponded to the priorities and needs of the countries concerned, the Bretton Woods institutions must increase the assistance they currently provided for the training of experts from developing countries. It was also necessary for the credit offered by those institutions, especially World Bank credit, to finance more than 50 per cent of the total cost of projects. The difficulties experienced by the developing countries in providing the remaining 50 per cent with their own resources from their domestic savings led to delays in project formulation, and resulted in excessive costs, loss of earnings and payments of penalties for non-use of credit. Colombia felt that it was timely and necessary during the current session to convene an international conference on development financing.

31. With regard to the external debt, a solution had been found to short-term problems by rescheduling payments, reducing interest rates or cancelling some debts, but the structural solution was that the developing countries should receive fair prices for their exportable products and the restrictions and inequalities of world trade should be eliminated.

32. **Mr. Ayewah** (Nigeria) said that the external debt crisis had become a major constraint to development. The situation had been aggravated by the decline in official development assistance, deteriorating terms of trade, and the unpredictability of foreign direct investment. In the case of the African countries, debt servicing stood at well over 30 per cent of export earnings, which seriously limited their capacity for development. In view of that situation, the international community, and in particular the developed countries and the Bretton Woods institutions, needed to find a durable solution to the debt problem, which would include debt cancellation for the developing countries. In that respect, Nigeria stressed the need for a further enhancement of the Naples terms by the Paris Club.

33. With reference to the Heavily Indebted Poor Countries Debt Initiative, it was difficult to understand how developing countries, particularly those in Africa, would pursue a programme of debt sustainability if commodity prices in the world market continued to fluctuate, and at the same time debt servicing had to be attended to. The need to implement social development programmes at the country level constituted an onerous conditionality. In addition, Nigeria believed that the imposition of a two-track period of three years as a requirement for participation in debt sustainability programmes was impracticable, in view of the situation of many developing countries. The Bretton Woods institutions should therefore reconsider the mode of implementation of that programme.

34. For developing countries with debt difficulties, the external debt overhang discouraged investment and undermined their efforts to implement long-term policies designed to accelerate the development process. The solution of the debt problem required a high degree of political will and commitment by the international community.

35. **Mr. Jabbari** (Islamic Republic of Iran) said that his delegation attached great importance to the question of financing of development, and believed that the Committee should consider various modalities and make appropriate recommendations. The Islamic Republic of Iran fully supported the idea of convening an international conference on the financing of development.

36. The report of the Secretary-General entitled "Sources for the financing of development" (A/52/399) emphasized, among other things, the vital role of domestic savings and the transfer of resources from abroad as sources for the financing of development. The developing countries had invested more than their savings permitted, which indicated the great efforts made on their part to mobilize domestic resources for development. Nevertheless, it must be borne in mind that over

the past decade, gross domestic savings had not increased in all the developing regions, which could be attributed to the decrease in income. That, in turn, contributed to widening the gap between countries. The recommendations contained in the report regarding factors affecting savings in developing countries, although necessary in themselves, were not enough to respond to their financial resource needs.

37. With respect to savings for international transfer, the 1997 World Economic and Social Survey indicated that a single developed country had absorbed substantial net resource transfers from other countries. In 1996, there had been a net transfer of official resources out of the developing countries, as new inflows of official loans had been less than the outflows of interest and principal. It was necessary to stop such outflows of capital and to reverse the trend. Moreover, foreign direct investment was highly concentrated in raw materials in developing countries.

38. Private capital flows did not respond to the urgent need to develop infrastructure and improve human development indicators in developing countries requiring significant amounts of resources; they should therefore be directed towards addressing the development priorities of developing countries while avoiding volatility and its destabilizing consequences.

39. The fact that official development assistance had fallen to a record low had serious consequences, especially for least developed countries. In addition to the shift from official to private resources, an increasing proportion of official flows was being directed towards humanitarian assistance, undermining longer-term development goals. As part of a longer-term solution, the international community needed to develop policies to create an international environment that would enable developing countries to participate effectively in decision-making processes on macroeconomic policy issues, particularly through the democratization of those processes in the Bretton Woods institutions.

40. An international conference on the financing of development could address, *inter alia*, the issues of reversing the persistent decline in official development assistance; meeting, by the year 2000, the internationally agreed target of 0.7 per cent of the gross national product (GNP) of the developed countries; fulfilling the financial commitments made at recent major United Nations conferences; fulfilling commitments in relation to the replenishment of International Development Association (IDA) resources; substantially increasing International Monetary Fund (IMF) resources; debt relief measures, including debt-for-development and debt-for-nature swaps; reducing volatility in private capital flows to developing countries; substantially increasing the resources of regional development banks; improving the market access and terms of trade of developing countries; providing adequate support for expanding the resource base for operational activities of the United Nations system; reducing military expenditure in support of the efforts of developing countries to achieve growth and development; and exploring the possibility of reallocating resources from developed-country subsidies to the development of developing countries. Other innovative sources for the financing of development could also be considered.

41. **Ms. McDonald** (New Zealand) said she was pleased that the report prepared by the Secretariat (A/52/399) acknowledged the importance of private financial flows. An enabling economic and regulatory environment was essential for attracting such flows, and should include measures such as macroeconomic stabilization, economic and public administration reform and financial liberalization.

42. Official development assistance facilitated the creation of such an environment by catalysing private investment, encouraging investment stability and providing essential assistance to the poorest countries. Her delegation felt that official development assistance helped fill the gaps left by the private sector, whose investment decisions were taken in purely monetary terms. Most of New Zealand's official development assistance in the Pacific region was channelled into education and training, where private investment was not yet particularly active. Her delegation was concerned about the drop in official development assistance in recent years and about the concentration of financial flows in a limited number of developing countries.

43. She regretted that the data presented in table 2 of the report, which were based on statistics from the Development Assistance Committee of OECD, did not reflect New Zealand's recent expenditure on official development assistance. That was due to the difference between the financial years of the Committee and of New Zealand, whose appropriations for official development assistance continued to grow both in real terms and as a percentage of central government expenditure. In New Zealand's 1996-1997 financial year, those appropriations had amounted to 0.24 per cent of GNP.

44. Her delegation supported the Secretary-General's proposal to convene a high-level segment of the General Assembly on financing for development.

45. **Mr. Al-Bannai** (Kuwait) said that an accelerating process of economic globalization had been taking place since the early 1990s. Some countries, especially those in East Asia, had benefited from the effects of globalization and had achieved high rates of economic growth, while many others,

especially those in Africa, Asia and Latin America, had suffered from the negative effects of that process. Despite the growth experienced in the African countries, which had reached 3 per cent, and the positive indicators recorded in some Latin American countries, many countries had to bear the burden of external debt, which was one of the chief obstacles to development. According to some indicators, the problem was becoming worse: at the end of 1996, the external debt of the developing countries had exceeded $1.8 trillion, and had risen by $110 billion in that year alone, representing a 6.4-per-cent increase over the previous year's level. That meant that the debtor countries had to devote a large part of their income to debt servicing, to the detriment of their development programmes. That situation helped to widen the gap between the countries of the North and those of the South.

46. In that context, he welcomed the Heavily Indebted Poor Countries Debt Initiative of the World Bank and IMF, which represented a very important step towards the solution of that problem. He asked those two international institutions to revise the conditions they imposed on States which requested assistance to improve their economic situation and stimulate the development process, and urged all donor countries and countries members of the Paris Club to continue to study the problem of debt rescheduling with a view to devising more acceptable formulas.

47. In connection with solutions proposed for the debt problem he drew attention to his country's initiative of cancelling the payment of interest on loans in order to ease the debt burden of the poorest countries. Since its independence in 1961 Kuwait had been in the forefront of the countries furnishing development assistance to other States. Such assistance represented 8.4 per cent of its gross national product, one of the highest rates in the world, and reflected its concern to raise the standard of living of the developing countries by helping to strengthen their economic infrastructure.

48. The developing world urgently needed the globalization of the world economy to produce real advantages, but that could only happen if capital flows and appropriate technology were transferred to stimulate the development process, expand markets and improve competitiveness in order to create a more interdependent and mutually supportive world and guarantee a fair distribution of the benefits of globalization.

49. **Mr. Prendergast** (Jamaica), speaking on behalf of the Caribbean Community, said that the problem of external debt remained a major preoccupation of the international community, in particular of the developing countries, even though their debt situation had continued to improve, according to the Secretary-General's report (A/52/290). The *Trade and Development Report, 1997* stated that the rise of 7.2 per cent in the volume of debt had been more than offset by a strong increase in the exports and combined gross national product of the developing countries, in which the ratio of debt to exports had declined from nearly 180 per cent in 1993 to 151 per cent in 1995. However, those figures should not be allowed to mask the fact that individual countries were facing severe debt problems: the debt of the low-income countries remained heavy, and the debt-to-exports ratio of the most severely indebted countries had been 421 per cent in 1995.

50. The initiatives, plans and strategies which had emerged over the years as means of alleviating the debt burden of the developing countries were welcome, but the international debt strategy had not worked for many countries since the debt repayments made at great sacrifice and high social and economic cost exceeded their capacity to pay.

51. An examination of the progress made in the application of the Heavily Indebted Poor Countries Debt Initiative showed that an ever-smaller number of countries could benefit from the Initiative owing to the financing constraints and the insistence that they should have a long track record. The Group of 24 had taken note at its recent meeting of the preliminary agreements to implement the Initiative and called for early finalization of the agreements in order to allow eligible countries to benefit from them. His delegation welcomed the recommendation made by the Board of the World Bank to allocate an additional $250 million from the Bank's surplus to the HIPC Trust Fund to meet the Bank's share of debt relief and to transfer up to SDR 180 million from the Enhanced Structural Adjustment Facility to finance special ESAF operations under the Initiative. It also welcomed the proposals of the British Government regarding the Initiative, presented as the Mauritius Mandate, which sought to enable the heavily indebted poor countries to embark by 2000 on the process of securing a sustainable solution to their debt problems.

52. Despite those developments there were a number of outstanding issues, including the funding of debt relief, burden-sharing between bilateral and multilateral creditors and between multilateral creditors themselves, the eligibility criteria for debt relief, and the waiting period and unfavourable conditions for triggering multilateral debt relief. There was also a need to take into account each country's economic position, including the fiscal burden of its debt, when determining its debt sustainability.

53. Attention had to be given to the debt problems of middle-income countries which had continued to service their

debt at heavy cost. Of the 51 countries listed by the World Bank as severely indebted developing countries, 13 were middle-income countries. It was necessary to ensure a continuation of adequate levels of positive net transfers to such countries, as well as a balance between concessional and non-concessional finance from bilateral and multilateral sources.

54. The strategy designed to alleviate the debt of the poorest countries had not been as successful as intended, despite increased concessionality. While the HIPC Initiative was a means of securing a durable solution to the debt problem, the consideration of further amendments to the eligibility conditions and the award of special assistance were warranted. The additional financing needed could be produced by the sale of a part of the IMF gold reserves to supplement existing resources. In that connection his delegation reiterated the appeal made at the recent meeting of Commonwealth Finance Ministers, which had stressed the need for the Paris Club to show flexibility when necessary, for certainty regarding adequate funding arrangements and early agreement on the financing of the HIPC Initiative, for the World Bank to examine the position of severely indebted countries whose debts were owed primarily to multilateral institutions in order to give them a chance of early and full debt relief, and for IMF and the World Bank to show greater openness in their debt sustainability analysis.

55. **Mr. Al Hitti** (Iraq) said that his delegation commended the Secretary-General's report on the debt situation of the developing countries as at mid-1997 (A/52/290) but had been disappointed by some of its conclusions, which illustrated the enormous problems of the heavily indebted countries.

56. The developing countries were suffering economic crises owing to the burden of external, trade, bilateral and multilateral debt, which had a negative impact on their development programmes; it was therefore necessary to find a permanent solution which would include the reduction of the volume of the debt and debt-servicing obligations. Such a solution would have to be found by means of negotiations between debtors and creditors (the financial institutions), which must bear in mind that debt-rescheduling should operate to the benefit of the developing countries and without any kind of political conditions. Innovative measures to ease the debt burden should guarantee a net transfer of resources to the developing countries in order to equip them with the necessary means to stimulate their economic growth. Efforts must therefore be made to create a favourable international environment by intensifying cooperation for development, improving access to markets and the conditions of trade, and transferring technology. The best possible use would have to be made of the financial system, including the granting of concessional terms and the transfer of new and renewable resources to the developing countries.

57. In resolution 47/198 the General Assembly had welcomed the conclusion of several agreements on commercial bank debt and debt-service reduction and had called for early implementation of the enhanced terms offered by the Paris Club to low-income countries. The World Bank and IMF should review the current arrangements. In addition, capital flows should be redirected in ways which would enable the developing countries to generate the necessary funds for their development. The loans granted to the developing countries should be on concessional terms and for long periods, so that they could finance their social, economic and cultural programmes free of any political conditions.

58. Iraq, which had voted for the resolutions adopted on the subject by the General Assembly and the Movement of Non-Aligned Countries, believed that the indebted developing countries, the developed countries and the multilateral financial institutions, should be involved in the approach to be taken to the debt problem, so that a strategy truly designed to reduce the debt burden could be implemented.

59. **Mr. Reshetnyak** (Ukraine) said that the extent of the external debt crisis, which had a particularly negative impact on developing countries, least developed countries, African countries and countries with economies in transition, once again made it clear that an urgent, adequate and action-oriented response was needed if global sustainable development was to be achieved. For that reason, he welcomed the steps taken in the framework of the Paris Club to ease the debt burden of low-income countries, as well as the Naples terms, the Toronto terms and the further actions envisaged at the Halifax, Lyon and Denver summit meetings of the seven major industrialized countries.

60. At the same time, there was a need to provide further assistance to indebted countries, in view of the high level of debt stock and debt servicing; the strategy for resolving the crisis must go hand in hand with a supportive international economic environment in relation to the terms of trade, commodity prices, access to international financial markets, financial resource flows, more democratic trade practices, access to advanced technologies, exchange rates and international interest rates.

61. The multilateral assistance provided by the international financial institutions played a significant role in that regard. He welcomed the new debt relief initiative developed by the Bretton Woods institutions in recent years. That initiative should be paralleled by the introduction of sound economic policies and structural adjustments and by close cooperation between the affected countries and other States in such crucial

areas as technology transfer and access to the markets of developed countries.

62. It was important, moreover, to adopt an individual approach to each country's debt problems in order to determine appropriate relief measures. Such an approach was of special interest to his country; its external debt situation had been aggravated by the high budgetary outlays required for the transformation of the national economy, conversion of the military-industrial complex and, in particular, mitigation of the consequences of the Chernobyl disaster. He looked forward to positive developments in solving those problems in the near future.

63. **Mr. Beti** (Observer for Switzerland) said that the reports of the Secretary-General on sources for the financing of development (A/52/399) and global financial integration (A/52/406) gave an accurate picture of the status of financial transfers between developed and developing countries; he stressed his country's willingness to participate in activities designed to improve such transfers significantly, particularly for the poorest developing countries.

64. The implementation of the Heavily Indebted Poor Countries (HIPC) Debt Initiative had progressed rapidly in the past six months; three countries had already reached the decision point, and preliminary debt sustainability analyses had been conducted for three others. Nevertheless, he was somewhat concerned at the financial constraints and the consequent risk that the Initiative faced. As a result of that situation, relief requirements might be underestimated, while at the same time, macroeconomic targets might be set that were overly ambitious in the context of the structural adjustment programmes undertaken by the countries concerned.

65. It had become evident, moreover, that the current debt-relief framework offered by the Paris Club would not be sufficient to reach sustainability in a substantial number of countries. As it was unrealistic to assume that the Paris Club would go beyond the current level of 80 per cent debt reduction, all donors should make significant additional efforts to secure the funding of the HIPC Trust Fund. In view of the reluctance demonstrated in that regard by large donors, the United Nations or the Bretton Woods institutions should explore the possibilities for the States members of the Organization for Economic Cooperation and Development (OECD) to make a contribution to the HIPC debt relief mechanism.

66. A further area of concern to his Government was the design of the fiscal sustainability criteria, which could be improved substantially in order to ensure fair and equal treatment of all heavily indebted poor countries. While progress had been made, much remained to be done, and it was incumbent on the bilateral donors to take the necessary steps to ensure that the Initiative fulfilled its promises. The debtor countries themselves could play a stronger role if they took charge of the process of debt strategy analysis. To that end, his country, together with Austria, Denmark and Sweden, had decided to launch a capacity-building programme for heavily indebted poor countries.

67. **Mr. Aemah** (Uganda) said that he associated himself fully with the statement made by the delegation of the United Republic of Tanzania on behalf of the Group of 77 and China. With regard to the question of financing for development, he underscored the comments made in the relevant report of the Secretary-General on the need for increased official development assistance in order to attain the agreed target of 0.7 per cent of gross national product (GNP), at a time when, unfortunately, there had been a marked decline in the net transfer of resources to the developing countries, although such assistance was needed more than ever. He commended the few countries which had reached or surpassed the 0.7 per cent target and appealed to all developed countries to make every effort to honour their international commitments.

68. He supported the convening of an international conference on development financing, and proposed that, in preparation for the conference, a panel of eminent persons from all geographical regions should be appointed to study the problems of development financing and submit specific recommendations for consideration at the conference.

69. At the national level, over the past 10 years, his Government had substantially increased domestic resources for development financing, but it continued to need external resources, both private and official, in order to sustain current growth rates. While appreciating the assistance received thus far, he hoped that his country's development partners would continue to provide it with assistance.

70. **Mr. Shukri** (Malaysia), speaking also on behalf of the States members of the Association of South-East Asian Nations (ASEAN) (Brunei Darussalam, Indonesia, the Lao People's Democratic Republic, Myanmar, the Philippines, Singapore, Thailand and Viet Nam), endorsed the views expressed by the Group of 77 and China and expressed concern at the situation of developing countries, particularly the least developed countries, which had not benefited fully from the results of the Uruguay Round and the liberalization of world trade, and which continued to be saddled with the debt burden and structural adjustment problems.

71. One of the key concerns of developing countries was the downward trend in official flows, particularly in Official Development Assistance, and the marginalization of those

African countries (including by the private sector, the new development "partner" of Governments) which did not produce quick profits. The decline in Official Development Assistance, which was expected to be more pronounced in the current year, had had a particularly negative impact on Africa, which was the region with the least access to other forms of financing and the most dependent on such aid flows. In the light of that situation, the Heavily Indebted Poor Countries Debt Initiative of the World Bank and the International Monetary Fund needed to be implemented as rapidly as possible.

72. It also seemed inevitable that there would be some decline in concessional flows to low-income countries from bilateral or multilateral sources, at a time when the majority of those countries had adopted strategies, policies and practices that were conducive to economic growth, including the opening up of their economies to the pressures of the global market. Despite those measures, the world's poorest countries were not adequately equipped in terms of human and capital resources to face an increasingly competitive environment and private sources were unlikely to provide either the volume or the type of resources required to meet those needs. There was therefore a risk that those countries would become further marginalized from the global economy and present the next generation with an even greater challenge.

73. One of the most significant developments in the globalization of financial markets was the increasing volatility of exchange rate fluctuations, a phenomenon recently witnessed in the countries of South-East Asia which had rendered many developed and developing countries vulnerable and made domestic macroeconomic management even more difficult. The countries concerned needed to deliberate on solutions to overcome the currency volatility in the region and learn from the experiences of those countries which had been fortunate enough to make headway on the road to prosperity.

74. At the current crossroads, the international community had to take a decision on one paramount issue, namely, whether or not there were sufficient international resources to finance expanding priorities and needs. If the answer was in the affirmative, then it should be followed by demonstrations of political will. Decisive action was needed to fulfil the commitments given at the recent United Nations conferences: global problems required global solutions and global resources.

75. **Mr. Talbot** (Guyana) said that his delegation fully concurred with the statement made by the representative of Tanzania on behalf of the Group of 77 and China as well as with the statement on the external debt made by the representative of Jamaica on behalf of the Caribbean Community. On the subject of agenda item 95 (a), he recalled that the financing of development was a central theme of the proposal of the late President Cheddi Jagan for the establishment of a new global human order involving the mobilization of resources to address the structural causes of poverty and underdevelopment and the democratization of the international financial and monetary system.

76. The financing of development required a process of urgent and perhaps inevitable change. While there was no shortage of ideas on sources and mechanisms for the financing of development, the fate which had befallen the "peace dividend" must be borne in mind and agreements promoted on feasible ideas that were acceptable to the international community as a whole. That was particularly necessary at a time when Official Development Assistance was declining and private capital flows remained concentrated in a handful of countries while a large number of developing countries were left to manage with highly inadequate resources for achieving their development objectives. The Guyanese delegation believed that the time had come for the United Nations to deal with that issue in a frank, focused and systematic manner.

77. The Government of Guyana had espoused suggestions, such as the Tobin tax and other levies which had the potential to generate significant resources. At the World Hearings on Development, held in 1994, there had been considerable support for proposals to introduce some forms of taxation to finance United Nations activities in the area of sustainable development. Those ideas should be examined at the intergovernmental level in order to advance in the search for new and innovative ways of multilateral financing. In that connection, mention should be made of the recent adoption by the General Assembly of the proposal which the Government of Japan had made in the context of the Agenda for Development that savings effected from the reform of the United Nations should be used for development purposes, an idea which the Secretary-General had included in his reform proposals.

78. The problem of the external debt was integrally linked to the financing of development. While there were indications of an overall improvement in the debt situation of developing countries in relation to exports, for many of them, particularly low-income and less developed countries, the situation remained critical. In that connection, he noted that the implementation of the Heavily Indebted Poor Countries Debt Initiative, which had been launched by the World Bank and the International Monetary Fund, had not lived up to expectations and there was uncertainty about whether

adequate funding would be forthcoming for its full implementation.

79. As a country eligible for debt relief under the Initiative, Guyana looked forward to the early conclusion of negotiations on that issue. It also welcomed the recent proposals made by the Government of the United Kingdom at the Commonwealth Meeting on finance, the so-called “Mauritius Mandate”, and commended that Government on the constructive approach which it had adopted in recent years on the debt issue. Guyana continued to believe that the General Assembly and the Economic and Social Council had an important role to play in monitoring the impact of the Initiative and that, where appropriate and in consultation with the Bretton Woods institutions, they should make recommendations for its enhancement. For example, particular scrutiny should be given to the impact of the Initiative on the reduction of poverty at the domestic level.

80. In conclusion, the developing countries continued to need a considerable infusion of external resources at the national level, but would also need to be given voice and justice in the international councils on financial and monetary issues.

81. **Mr. Fattah** (Egypt) asked the Secretariat to explain the reasons for the delay in the issuance of a number of documents on the item under consideration. Each year, the General Assembly adopted a resolution that required documents to be made available in the official languages six weeks before the start of the session. The delay gave rise to concerns about the efficiency of the Committee’s work, since delegates were unable to prepare their statement. In particular, he wished to know why the report on global financial integration (A/52/406), which had been requested by the General Assembly two years previously, had been issued only on that day. He would also welcome information on the status of the other pending reports. Steps must be taken to ensure that such problems did not occur again in the future.

82. **Mr. Kinniburgh** (Department of Economic and Social Affairs) accepted the criticism concerning the delay in the issuance of documents, but assured the Committee that the Secretariat had done everything possible to facilitate the work of the Committees. Even though the report had been requested two years previously, the item on global financial integration needed to be very up to date and to include very complex data. It had therefore been necessary to review numerous documents.

83. A very constructive exchange of opinions had taken place on the content of the items and very rapid changes had taken place in the field. Only a few years previously, it would have been inconceivable for a debate to take place in the Committee on the size of private financial flows to the developing countries. Private financial markets reacted very rapidly and were currently analysing the situation in the developing countries. While it had been said that many countries had been passed over by the markets, it was very likely that with minor adjustments to their policies the financial markets would be attracted to some of the countries which had thus far been overlooked.

84. As the economies of those countries were relatively small scale, the infusion of amounts that were also relatively small could yield significant results.

85. Concern had been expressed at the volatility and vulnerability of emerging markets. That was a real problem for which there was as yet no solution. It had many aspects that would have to be carefully studied. One reason for the volatility of financial flows was the inadequacy of infrastructure and institutions in the developing countries. Everyone recognized the vital role that official development assistance could play in building institutions and infrastructure in those countries. While the problem had been acknowledged, there seemed to be no agreement as yet on how to rectify it.

86. As for the debt problem, some changes had occurred but, unfortunately, many things remained the same. The most seriously affected countries were the low-income ones, which, for that very reason, were in a worse position to deal with the problem. During the past decade, tremendous efforts had been made to find authentic and sustainable solutions to the debt problem of the most heavily indebted countries. Without going into the technical details of the Heavily Indebted Poor Countries Debt Initiative, he said that it was important for the private credit markets to view the Initiative as lasting and sustainable in order for the least developed countries to attract private capital as other countries had done.

87. As for cooperation between the United Nations and the Bretton Woods institutions, the Secretariat wished to announce that the joint review of such cooperation was being conducted under the leadership of the UNDP Administrator, and the report would be submitted to the Economic and Social Council during its summer 1998 session. Concerning the planned meeting of the Economic and Social Council with the financial institutions, the logistical aspects (timing, content, etc.) were being reviewed and as soon as agreement was reached, the Council would be informed.

88. **Mr. Fattah** (Egypt) said that the explanations given by the Secretariat for the late issuance of documents were not convincing. The documents did not seem to contain recent information: only the introduction to document A/52/406 contained a reference to September 1997 and the financial

turmoil in South-East Asia; the body of the document made no mention whatsoever of the crisis. Moreover, the system of issuing "addenda" made it possible to incorporate any last-minute information in a document. In future, established time limits must be respected.

89. **Mr. Hapsoro** (Indonesia) agreed with the representative of Egypt. The delay in documentation limited opportunities for holding a substantive debate. Moreover, he would appreciate it if the Secretariat replied to the questions posed by the delegation of Indonesia in its statement on the item under consideration.

90. **Mr. Ojimba** (Nigeria) supported the remarks concerning the problem of late documentation and said that it would be preferable to have 5 or 10 minutes to take the floor and implement the procedure proposed by the delegation of Indonesia. He wished to know why the Secretariat published information on unedited versions of documents in the *Journal*; the work of the Committee could not proceed if documentation was not available on time.

91. **Mr. Kinniburgh** (Department of Economic and Social Affairs) took note of the problem raised by the delegation of Egypt with regard to documentation and said that, in view of the need to abide by the new rules on the submission of reports, the Secretariat was sometimes faced with the dilemma of having to omit certain analyses because of the length of the documents. He recognized, however, that the omission of any reference to the crisis in South-East Asia in document A/52/406 had perhaps not been a wise decision.

92. In reply to the concern expressed by the delegation of Indonesia with regard to technical questions relating to the Heavily Indebted Poor Countries Debt Initiative he said that, in his view, the Committee might obtain more appropriate answers from the representatives of the World Bank and the International Monetary Fund. Nonetheless, since the Initiative was relatively new, the World Bank, the International Monetary Fund and indebted countries must continue to refine the eligibility criteria, duration and other technical aspects of implementing it with a view to ensuring that the entire debt stock would be taken into account. That was much more complicated than might have been imagined. He did not believe that he was the most qualified person to clarify technical questions or that he could speak for the World Bank and the International Monetary Fund. Nevertheless, in a relatively short period, the eligibility criteria had already been changed in order to take into account, for example, fiscal limitations, which had not been included at the outset. Moreover, track record requirements were somewhat flexible, as every case was different. He stressed that he had not participated in discussions with the World Bank and the International Monetary Fund, but that he understood the technical problems involved in implementing the Initiative. Moreover, the problem of resources must be taken into account. Lastly, he stressed that the Committee should address its questions to a more qualified person.

93. **Ms. Kelley** (Secretary of the Committee) expressed her understanding of delegations' frustration over the lateness of documentation. In reply to the representative of Nigeria, she said that information on unedited versions of documents was usually included in the *Journal* when it was known that the submission of documentation would be delayed, which would, in turn, delay distribution in all the languages four to six weeks prior to the consideration of the item in question; in such cases, an advance unedited version was issued. She stressed that the measure had been adopted at the request of delegations themselves, which wished to have a preliminary idea of what was contained in the document.

94. **Mr. A'Ala** (Syrian Arab Republic) supported the remarks made by the representative of Egypt. Having heard the Secretary's explanations, he acknowledged the good intentions of the Secretariat in issuing unedited versions, but stressed that it was important to respect the rule that documents must be available in the six official languages six weeks before the debate. The fact that the report of the Economic and Social Council would not be available until the first day it was to be considered was regrettable.

95. **Mr. Amaziane** (Morocco) said that the problem of the delay in documentation was by no means new. He recalled that, in the debates on conference services in the Executive Board of the United Nations Development Programme (UNDP), delegations had been told that there was an informal list of translation priorities that must be respected. In his personal opinion, the repeated delay in documentation for the Second Committee reflected the importance attached to it in the United Nations.

96. **The Chairman** made a statement on organizational matters.

The meeting rose at 5.40 p.m.