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

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97-82102 (E)

The meeting was called to order at 10.20 a.m.

General debate (continued)

1. Mr. Aujali (Libyan Arab Jamahiriya) said that persistent economic stagnation, lack of development funding and the harsh conditions being imposed by donor countries, together with globalization and economic restructuring, were aggravating the problems of the developing world and subjecting its people to hardship; but while the poor countries were becoming poorer, the rich countries were growing richer. The policies of the World Bank and the International Monetary Fund should be reviewed to ensure that they did not become political tools serving the interests of the latter countries. Protectionism on the part of the developed countries, and coercive measures, such as legislation which targeted certain countries for political reasons, further hampered development efforts.

2. Sustainable human development must be accompanied by sustainable economic development, and to that end the private sector and the State should work hand in hand. In developing countries, in particular, democratic Governments had an essential role to play. A truly democratic Government, of course, was not necessarily one patterned after the Western model, which the developed countries were trying to impose on all others, regardless of their specific circumstances.

3. The unilateral sanctions applied by the United States were a source of concern for the developing countries. They were inconsistent with international cooperation and ran counter to the Charter of the United Nations and the rules of the World Trade Organization (WTO). They were also self-defeating, and many American corporations were opposed to them. The international community was urged to put an end to such coercive actions.

4. Indebtedness was a heavy burden on the developing countries, whose massive payments were currently helping to sustain high standards of living in the developed countries at the expense of their own development.

5. Globalization was a phenomenon with both positive and negative aspects, but it appeared that the developing countries were enjoying most of the former, while the developed countries had to bear the latter. The situation was unbalanced, and was being kept that way by the world's major powers, which did not hesitate to punish countries that would not accept their policies.

6. Environmental degradation was largely the result of consumption patterns in the developed countries. Those countries had failed to honour the commitments they had made at the Rio summit and should therefore assume responsibility for correcting the situation. They should also take steps to deal with the problem of desertification, which, if not stopped, would jeopardize the world's food supply.

7. Mr. Paguaga-Fernández (Nicaragua) said that the United Nations must support national efforts to establish democracy, the most civilized form of government. His own country was seeking to effect non-violent change, establish harmonious relationships among its different ethnic and cultural groups and preserve the environment. In the belief that environmental degradation and poverty were inextricably linked, it accorded top priority to addressing environmental problems with a view to achieving sustainable development. Consistent with the provisions of the charter of the Alliance for the Sustainable Development of Central America, his Government had established the National Council for Sustainable Development, which took a people-centred approach to development and respected all ethnic and cultural groups at the subregional, national and local levels. The fact that many developed countries had not yet geared their consumption practices to the goals of sustainable development was indeed regrettable. The General Assembly must address that imbalance.

8. Unfortunately, Nicaragua's development process had been hampered by natural disaster, two civil wars and a Marxist-Leninistic dictatorship which had left death, destruction and poverty in its wake. Under its rule, export earnings had plummeted from $700 million to $250 million and the external debt had risen from $1.5 billion to $12 billion. More than half the Nicaraguan population was unemployed or underemployed and annual per capita income was under $400. Nicaragua's social welfare indicators were among the lowest in the Americas and the country ranked next to last in the hemisphere in terms of poverty.

9. Nonetheless, the current Government, which had been freely elected in October 1996, looked towards the future with optimism and a strong will. It was seeking to reach an agreement with the International Monetary Fund for the inclusion of Nicaragua in the Heavily Indebted Poor Countries Debt Initiative. The Government had introduced tax legislation aimed at reducing the fiscal deficit. It was seeking to improve the functioning of the State-run banks and was offering incentives, including tax concessions and financial and technical assistance, to the agricultural sector, a key sector in terms of both exports and employment. It had channelled external cooperation into poverty-reduction programmes through its Emergency Fund for Social Investment.

10. Despite persistent political tension and the financial restrictions imposed on it, Nicaragua's rate of growth had

been in excess of 6 per cent, which, in turn had created jobs and increased per capita income. In addition, inflation had been brought under control. According to the "Economic Survey of Latin America and the Caribbean 1996-1997", the gross domestic product had risen as a result of the increase in exports and capital formation, and national savings had been positive for the first time. The construction, coffee, sugar cane and banana sectors had also posted increases; the tobacco sector had witnessed a 100% increase. The Government had demonstrated that it had the political will to resolve the problems of land ownership. Government spending in the social sector had focused on education, public health and basic services such as drinking water and electricity. In an effort to modernize and streamline its public sector, his Government had launched a plan to privatize the State-run telephone enterprise and the energy sector.

11. Mr. Kaid (Yemen) expressed support for the Secretary-General's reform package for the United Nations, noting with approval that international economic and social development remained one of the Organization's main goals. In the current context of globalization, however, the gap between rich and poor countries was growing, with the latter suffering from slow or negative growth, deteriorating infrastructure and undercapitalization. A greater official development assistance effort by the international community was thus required. United Nations conferences had adopted many resolutions and decisions in that connection, but few of them had been implemented, as the developed countries had not honoured their commitments.

12. Resolving the debt problem would require good faith and political courage. Millions of people in the developing world, especially in Africa, were being adversely affected by deteriorating health and education services, environmental degradation and falling living standards as a result of their countries' indebtedness. Effective solutions to the problem would contribute to the world's economic growth and to sustainable development. Accordingly, capital-exporting countries, international funding institutions and banks in the private sector should help the developing countries cope with their debts and ensure that globalization did not make matters worse.

13. Official development assistance, far from increasing, had been falling, widening the gap between rich and poor countries and jeopardizing the world's stability, security and peace. The developed countries undoubtedly bore much of the responsibility for the marginalization of the poor countries. The integration of the latter into the global economy, the easing or elimination of protectionist restrictions on commodities in world markets, and the institution of genuine, balanced partnership was essential for sustainable development.

14. Millions of people in the developing countries were still living below the poverty line. A concerted effort by the international community was required in order to alleviate and ultimately eradicate world poverty. The issue of poverty was undeniably linked to the issue of indebtedness; eradication of the latter would have a positive impact on the former. The United Nations Development Programme had been right to make the fight against world poverty one of its top priorities. The seven major industrialized countries, to their credit, had announced that they proposed to make assistance available to the countries with the slowest growth rates, while the Paris Club was studying approaches to debt relief in an effort to enable the developing countries to participate meaningfully in the global economy.

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

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

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

15. Mr. Kinniburgh (Director, Macroeconomics Division) introduced the report of the Secretary-General on the debt situation of the developing countries as at mid-1997 (A/52/290), the report of the Secretary-General on sources for the financing of development (A/52/399) and the report of the Secretary-General on global financial integration, an update (A/52/406).

16. Domestic savings were the primary source of financing for development in most countries. While such savings now represented a greater proportion of the gross domestic product of developing countries than they had a decade earlier, savings rates in Africa and Latin America remained comparatively low, owing to low absolute levels of per capita income in Africa, the low rates of growth in income, continuing high levels of unemployment in both regions and patterns of income distribution. Efforts to increase domestic savings in recent years had focused on government deficit, and on increasing private savings through financial reforms such as liberalization and deregulation. In view of the limited progress achieved in Africa and Latin America, however, thought must be given to alternative means of boosting savings, particularly since the experience of South-East Asia had demonstrated that high domestic savings rates attracted greater private-sector capital inflows from abroad.

17. International transfers continued to play a vital and catalytic role in the development process. The net financial transfer to developing countries in 1996 had stood at $87 billion — compared to $20 billion a decade earlier — and there was every indication that that trend would continue. The central issues concerning international transfers had now become composition, nature and geographical distribution.

18. Gross private sector financial flows to developing countries had surged from $187 billion in 1995 to $244 billion in 1996. On the other hand, official development assistance had reached a record low in terms of percentage of the gross domestic product of donor countries. It was broadly recognized that private sector flows alone could never address all development concerns, particularly human, social and environmental concerns that had evolved from the global conferences of the 1990s. International private capital was also unlikely to respond to the needs of the most disadvantaged countries. Therefore, official development assistance remained crucial. Those donors who had achieved the target set for official development assistance should demonstrate to others that it had been worthwhile. At the same time, in considering specific actions to reverse the declining trend of official development assistance, the Committee must analyse the effectiveness of such targets.

19. In 1996, the debt of developing countries had increased as a direct result of private international flows. However, because of improved economic performance in the debtor countries, the overall ratio of debt to exports and the ratio of external debt to gross domestic product had declined to their lowest levels since the onset of the debt crisis. On a more pessimistic note, however, those overall averages masked the higher debt ratios of a large number of smaller countries and a few large countries, mainly low-income and/or least developed countries in sub-Saharan Africa. He understood the frustration over the delay in implementing the Heavily Indebted Poor Countries Debt Initiative launched in response to that problem. However, he cautioned that the design of a custom-made strategy for each country, could well be jeopardized by excessive haste.

20. Within the context of increased financial flows to developing countries and the continuing surge in foreign direct investment, equity and bonds, he noted with optimism the rapid turnaround in private sector financial flows to Mexico and Argentina after the crisis of 1995 and the modest private sector flows to Africa. On the other hand, recent months had seen large outflows from a number of South-East Asian countries, giving rise to major economic disruptions. Volatile capital flows not only caused short-term economic fluctuations but also inflicted damage on a country's longer-term development prospects, particularly in less resilient smaller economies. Market discipline, whereby troubled firms had the option of declaring bankruptcy, must be reinforced by regulation, supervision and standard-setting. Support should be provided to ailing firms only on an exceptional basis, when they posed a systemic risk to the financial sector as a whole. Intervention in order to preserve the financial system was generally a matter of judgement. In the case of developing countries and economies in transition, every effort must be made to ensure that both national and international financial markets operated in a manner that was supportive of development. IMF, through its resources, mandates and new mechanisms designed to reduce financial shocks — including capital account liberalization — should enhance the contribution of international financial markets to global economic growth. Broader development concerns must be taken into account in IMF initiatives, which should aim to ensure that as many countries as possible benefited from the expansion of growth.

21. Mr. Mwakawago (United Republic of Tanzania), speaking on behalf of the Group of 77 and China, said that as had been confirmed by the outcomes of all the major international conferences of the 1990s, the financing of development was the most crucial aspect of international cooperation for development. He praised the report of the Secretary-General on sources for the financing of development (A/52/399), which affirmed the need for greater mobilization of resources, in particular, external resources, in order to meet the priority development needs of developing countries. According to the report, developing countries had relied largely upon their domestic savings to finance their investment. Indeed, the net transfer of resources to developing countries had averaged less than 1 per cent of the gross domestic product of the developed countries. New inflows of official loans and grants to developing countries in 1996 had not kept pace with outflows of interest and principal. Official development assistance from member countries of the Development Assistance Committee (DAC) had fallen by about $4 billion in 1996. As a share of the combined gross national product of DAC member countries, official development assistance had dropped to a record 0.25 per cent in 1996. As a proportion of the combined gross national product of donor countries, official development assistance to the least developed countries had declined from 0.09 per cent in 1992 to 0.06 per cent in 1995, well below the United Nations target of 0.2 per cent.

22. While flows from private sources to developing countries had increased significantly, the distribution of those flows had remained highly uneven. Ten countries had accounted for over 75 per cent of the total flow in 1996. Therefore, developing countries, particularly the least

developed countries in Africa, whose socio-economic situation and structural constraints made it impossible for them to attract private flows, would continue to depend on official development assistance.

23. In the Ministerial Declaration of 26 September 1997, the Ministers for Foreign Affairs of the Group of 77 had called for compliance with internationally agreed targets of official development assistance and with commitments for new and additional resources. In particular, they had urged the developed countries to allocate 0.7 per cent of their gross national product to developing countries by the year 2000, to honour their commitments under Agenda 21 and to provide 0.15 per cent of their gross national product to the least developed countries, in accordance with the Paris Declaration and Programme of Action of the Second United Nations Conference on the Least Developed Countries, adopted in September 1990. They had strongly endorsed the appeal made by the Ministers of Finance of the Intergovernmental Group of Twenty-four on International Monetary Affairs, held in Hong Kong, concerning the convening of an international conference on the financing of development.

24. The report of the Secretary-General did not sufficiently address serious adverse trends in the flows of official development assistance or the need for a comprehensive approach to the financing of development. The Group of 77 and China strongly supported the convening of an international conference on the financing of development which would, inter alia, facilitate the implementation of the Agenda for Development.

25. The Group of 77 and China would circulate a separate statement on the question of the external debt crisis and development. Debt overhang remained a major obstacle to development in the developing countries. Their social infrastructure, particularly in the areas of education, health and housing, continued to be hampered by debt service requirements. The Paris Club and the Heavily Indebted Poor Countries Debt Initiative had not been sufficiently comprehensive. Greater flexibility was needed in implementing the Initiative in order to enable more countries to qualify under it.

26. Mr. Graff (Luxembourg), speaking on behalf of the European Union, and the associate countries of Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania and Slovenia, said that financial integration on a global level presented both opportunities and new challenges for the international community. Massive inflows of foreign capital into emerging markets had greatly contributed to the growth of the world economy and, at the same time, had increased the volatility of financial markets. Although no country was safe from such disruptions, emerging markets were particularly vulnerable. Sound macroeconomic policies were necessary to promote economic stability and growth and boost confidence in financial markets. It was becoming vital, in order to ensure the soundness of the financial system and reduce uncertainty about the future, to adopt macroeconomic indicators in close cooperation with international financial institutions. The control and supervisory functions in the financial sector should be reinforced through increased cooperation between national and international supervisory authorities.

27. The European Union welcomed the establishment by IMF of the Emergency Financing Mechanism and the new arrangements to borrow. The Special Data Dissemination Standard (SDDS) was an additional measure for increasing transparency, with strong participation by developing countries and economies in transition.

28. While the formulation of common standards for prudential oversight and management of risk situations and efforts to involve developing countries and countries with transition economies were welcome, States remained responsible for the establishment of a stable and predictable national environment for foreign investment. National policies promoting domestic capital formation could also have a favourable impact on foreign investment, which was likely to have positive effects on long-term economic development. The implementation of structural reforms should be continued. Even if their rate and scope varied from one country to another, liberalization measures should be complementary to macroeconomic stabilization policies and should have consistent objectives.

29. Turning to the question of financing of development and the debt of the poorest, most heavily indebted countries, the European Union fully subscribed to the continuation of the intergovernmental dialogue on the financing of development within existing frameworks; their potential must be used to full advantage. It welcomed the progress made in alleviating bilateral debt of developing countries and the Paris Club membership agreement recently concluded with the Russian Federation. The Heavily Indebted Poor Countries Debt Initiative was an important step, and the European Union called on other bilateral and multilateral actors to participate fully in that effort.

30. Mr. Winnick (United States of America) said that partnership was key to both the financing of development and external debt. Partnership, founded on shared responsibilities and interests, was critical to sustainable development. For the developed countries, those responsibilities included a sound global financial system, open trade and investment regimes

and consistent and sustained growth in the advanced economies. They also included ensuring that appropriate development assistance was available. The developing countries, in turn, must pursue sound macroeconomic policies and make fiscal choices that genuinely promoted development, ensured the best possible use of development financing and respected the basic rights of individuals.

31. Development called for the private sector to act as the engine of sustained economic growth, in partnership with the public sector, which played a crucial role in basic infrastructure and services and in establishing and maintaining sound macroeconomic policies, protecting human rights and the environment and creating a conducive legal environment for private investment and entrepreneurship. That partnership raised the rate of return on development investments, making more resources available at lower cost and promoting global integration.

32. In line with the concept of shared responsibilities and interests, debt relief and economic reform should go hand in hand. There had been continued improvement in the overall debt situation, with the exception of the poorest, most heavily indebted countries. In the context of structural adjustment efforts in developing countries, international financial institutions had supported debt-reduction agreements, a good example of that two-pronged approach. The United States was also greatly encouraged by the rapid increase in private investment flows to developing countries. It would continue to provide official development assistance to the poorest countries, to be used principally to encourage growth, poverty alleviation and sustainable development. Such assistance continued to be valuable to the extent that it was used to increase the capacity of recipient countries to make better use of market-based economic resources.

33. The United States did not concur with the suggestion that a conference was needed on financing of development to reorder the relationship between the United Nations and the Bretton Woods institutions. It was, however, committed to greater interaction and cooperation between those institutions and other parts of the United Nations system, as called for under General Assembly resolution 50/227. His delegation looked forward to an update on the status of the joint exploratory review of cooperation between the institutions at the field, headquarters and intergovernmental levels and on plans for a high-level meeting of the Economic and Social Council in conjunction with their semi-annual meetings.

34. In conclusion, the United States strongly supported the efforts of the Development Assistance Committee to identify output-oriented development goals towards which the international community could work together.

35. Mr. Tchoulkov (Russian Federation) said that his delegation shared the view that the Heavily Indebted Poor Countries Debt Initiative played an important role in the international debt relief strategy, but believed that debt relief efforts should not be limited to that initiative. Other facilities, such as those set up by the World Bank and IDA, should also be used.

36. He was pleased to confirm that the Russian Government had decided to participate in the financing of the debt initiative. It would make a grant to the Trust Fund and would make further contributions proportional to its quota in IMF and the participation of other donors. The Russian Federation assumed that the costs of implementing the debt initiative would be shared proportionately by all groups of creditors, both bilateral and multilateral. However, even with sufficient resources, the initiative's main goal of reaching external debt sustainability would be unattainable unless a favourable international economic climate were created to provide open access to markets, modern technologies and sources of development financing.

37. It was encouraging to note the growth in financial inflows to developing countries, predominately from private resources, and the gradual inclusion of additional countries which had managed to achieve a certain degree of macro-economic stabilization and liberalization. With regard to global financial integration, stronger regulations were needed for domestic macroeconomic, financial and currency policy in order to lower the risks of financial and currency crises in developing and transition countries. The ongoing surveillance of the international financial sector by the World Bank and IMF was extremely important in establishing an early warning system against financial crises.

38. The Russian Federation attached great importance to the coordination between the World Bank and IMF in order to ensure consistency between the Bank's structural reform recommendations and the Fund's macroeconomic framework. It also attached great importance to the strengthening of cooperation between the United Nations and the Bretton Woods institutions, and believed that their potential for cooperation at the country level had not yet been fully realized.

39. Mr. Wilmot (Ghana) said that, although domestic savings were a principal source for development financing, for the poorest developing countries of Africa, they played only a limited role. The remedy for those countries' inability to mobilize such savings seemed to lie in sustained economic growth, which would raise income and thereby create the potential for generating more savings. That could not happen, however, without adequate private and official financial

transfers. He noted with satisfaction that there had been some increase in private financial flows to Africa over the past two years, but they remained woefully inadequate. The situation of official development assistance as a source of financing was also getting worse. Ghana congratulated Denmark, the Netherlands, Norway and Sweden for exceeding assistance targets and urged all other developed countries to emulate them.

40. The financial needs of the poorer segments of society should not be overlooked. His delegation lauded the increasing international awareness of micro-financing or micro-credit as an efficient mechanism for providing production financing.

41. His delegation appreciated the Heavily Indebted Poor Countries Debt Initiative, but was still of the view that the criteria for eligibility must be made more flexible by reducing the time-frame for implementation and lowering the threshold of debt sustainability. Debt relief measures must be integrated into a more extensive programme with increased emphasis on poverty eradication and human resources development. The international community must continue to monitor the evolution of the debt problem, and take measures to ensure that it did not worsen. Debt relief measures must be accompanied by international economic and trade policies that would give effect to the painful structural reforms undertaken by the developing countries.

42. In conclusion, his delegation endorsed the call for an international conference on the financing of development.

43. Mr. Saguier Caballero (Paraguay), speaking on behalf of the Rio Group, said that efforts to improve the linkages between the work of the Bretton Woods institutions and that of the United Nations were becoming increasingly important because of the dramatic decrease in official development assistance and the financial crises caused by sudden and massive movements of capital, which threatened developing economies. The Economic and Social Council, at its 1997 substantive session, had approved a set of agreed conclusions recognizing that the creation and preservation of stable international conditions and the democratization of international relations were among the main elements of a favourable environment for development. The need to increase the participation of developing countries in decision-making on international economic matters was also recognized. Net transfers of resources between developed and developing countries also deserved priority consideration. Indeed, the Rio Group believed that careful consideration should be given to the possibility of holding an international conference on the financing of development.

44. Since the external debt crisis was one of the most serious problems facing developing countries, the Rio Group considered that debtor countries should have access to alternative methods of payment which did not limit their growth and thereby undermine their right to development. Changes in the policies applied by the multilateral financial institutions were also necessary in order to ensure a net transfer of resources to developing countries through reductions in interest rates and extensions of debt maturity dates.

45. Given the fact that science and technology were crucial to the sustained economic growth and sustainable development of developing countries, it was important to facilitate the access by those countries to technology, including new technology, so that they could increase their productivity and competitiveness in the global marketplace. However, such technology must be transferred on favourable terms and by mutual agreement, taking into account the development needs and priorities of developing countries.

46. Mr. Yu Qingtai (China) said that the relationship between domestic and external resources should be clearly understood. As the progress made by developing countries had demonstrated, economic and social development could be achieved mainly through the use of domestic resources. However, that should not be used as an excuse to deny the importance of external resources to development. With globalization and increasing interdependence between and among States, external resources clearly represented an important form of international cooperation for development. The lack of such resources hampered the development of developing countries. Emphasis should therefore be placed on the mobilization of external resources when discussing international cooperation.

47. The role of private capital should be considered in a comprehensive and objective manner, bearing in mind that while it represented a positive aspect at the global level, many developing countries, especially African and least developed countries, had failed to benefit sufficiently from it. Private capital, driven by interest, tended to flow to areas that would guarantee short-term returns. Such areas, however, did not necessarily coincide with the priority areas of developing countries. Moreover, the volatility of private capital could trigger international financial crises, as had happened recently in south-east Asia.

48. There could be no justification for any failure on the part of the developed countries to fulfil their obligations with respect to ODA; the latter was a vital source of external funding for developing countries. It should not be regarded as charity, but as a long-term investment and developed

countries had a moral responsibility to provide it. He therefore called on those countries to take steps to reverse the downward trend in such assistance.

49. Although the external debt had declined somewhat, there was still a long way to go before a comprehensive solution could be achieved. His delegation therefore welcomed the Heavily Indebted Poor Countries Debt Initiative, and hoped that the eligibility criteria and application time-frame would be applied flexibly, taking into account the special circumstances of the developing countries so that the latter could benefit fully from the Initiative.

50. Mr. Azaiez (Tunisia) noted that although there had been a net increase in capital flows to developing countries in the 1990s, that trend had been uneven. Moreover ODA, which was an extremely important source of external resources for many developing countries, had stagnated. The slight improvement in Africa's economic performance was largely the result of efforts undertaken by the African countries themselves. Those efforts included economic reforms, the liberalization of financial markets and acceleration of privatization programmes. Unfortunately, since private investors were not interested in investing in activities that could not generate immediate profits, African countries had generally not attracted large private flows and for them ODA remained a crucial source of external funding. In that regard, the Tunisian Government had recently established the Tunisian Solidarity bank to finance small projects in sectors that did not benefit from the traditional banking system.

51. Foreign direct investment in developing countries could contribute to transfers of technology and to better access to export markets. Developing countries had made every effort to create an environment that was propitious for economic development. While such efforts had promoted their integration into the world capital market, they had also exposed the fragile financial systems of such countries to strong speculative pressures which had recently led to serious financial crises. It was therefore important to establish favourable conditions for the stability of international private capital flows and to prevent the destabilization that might result from the rapid movement of such capital.

52. Effective, fair, and lasting solutions must be found for the external debt and debt-servicing problems of developing countries. While developments in the strategies for debt management had contributed to improving the situation of developing countries, many countries in the South, especially low- and middle-income countries, nonetheless continued to have difficulties.

53. Noting that it was up to each country to design the economic and social policies that would ensure its development, he said that Tunisia had geared its approach to developing human resources to create wealth. That policy had been helped by a favourable national environment. Tunisia intended to continue stressing the modernization of its financial system.

54. Mr. Vidaurre (Bolivia) said that although some developing countries had contributed to the recent growth of the world economy the great majority of them remained marginalized from such growth due, to a large extent, to the vulnerability of their economies and the influence of external factors. Reviewing the ongoing restructuring of his country's economy, he appealed for support from the international community and financial institutions in that endeavour.

55. Noting that a consensus had emerged at recent world conferences to find solutions to the problems of financing development through both the private and public sectors, he said that the international community now needed to take the right measures to finance development. The policies of the Bretton Woods institutions were closely related to the issue of the financing of development. In that regard, the recent declining trend in ODA which was having an adverse impact on the development of those countries that benefited from such assistance, should be reversed.

56. Bolivia acknowledged the efforts of international financial institutions to alleviate the debt burden of developing countries through the Heavily Indebted Poor Countries Debt Initiative. IMF and the World Bank must continue to study the situation of those countries that were unable to meet some of the eligibility criteria of the Initiative. It was also important for the donor community to contribute to the relevant IMF and World Bank Trust Funds.

57. The development of domestic capacity in science and technology, and adapting science and technology to local situations, should be a priority of sustainable development. His delegation therefore hoped that more technology would be transferred to developing countries.

58. Archbishop Martino (Observer for the Holy See) said that the Holy See fully supported the Heavily Indebted Poor Countries Debt Initiative, and encouraged Member States to ensure its rapid implementation. The Pontifical Council for Justice and Peace, which over the years had expressed the Holy See's concerns about external debt, would be launching various initiatives, in consultation with Governments and private organizations, with a view to increasing public awareness of that issue. He appealed to all those responsible for implementing the Initiative to make rapid progress, through the flexible application of its principles, so that all

eligible countries would begin to receive concrete debt reduction by the year 2009. The wealthier countries and stronger economies had a particular role to play in the implementation of the Initiative, and their contributions to the Initiative's Trust Fund would demonstrate their special commitment to debt reduction. International solidarity was an essential dimension of the “common good” of the global community. The private sector, as the sector that had the most to gain from the process of globalization, should recognize the responsibilities that it bore for the good of all. Voluntary development organizations, including those of churches, could play an important role in promoting international solidarity.

59. The Initiative placed very strict requirements on the poorest countries, and it was essential that measures should be taken to ensure the more rapid and flexible implementation of the Initiative. Moreover, the Initiative did not address the debt burden of many heavily indebted countries, either because they were not among the poorest countries or because their debt burden was considered “sustainable”. In many cases, such countries had been meeting their international obligations and had continued to repay their debt, at great social cost to their citizens. It was necessary to re-examine the debt problems of those countries, particularly through a different evaluation of the terms of debt-sustainability, including a more precise measurement of “social sustainability”.

60. The external debt crisis was just one aspect of the larger question of promoting international solidarity and economic policies that would guarantee equity within and between nations, and in which the special concerns of the poorest would be addressed. The economic policy of any country would not be sustainable in the long term if it did not take into consideration the welfare and progress of all citizens, since people were the true wealth of a nation and should be at the centre of all concerns for sustainable development.

61. Ms. Donovan (World Bank) said that external finance was only a small part of the resources that developing countries used for their development efforts. A rapidly growing second source of financing was external private financial flows, and the international community was faced with the challenge of finding ways to ensure that a larger portion of such flows went to the poorest countries.

62. While ODA flows to a small number of countries were actually increasing, some of the larger donor countries were coming under significant pressure to decrease their budgetary allocations to ODA. The United States, a major donor to the IDA, was in significant arrears to the Association. At the same time, other donors were insisting that the United States share should not fall below 20 per cent. The World Bank considered that the best way of encouraging donors to keep up their payments was to demonstrate the effectiveness of the Association's activities.

63. The World Bank had received a mandate from donors to make IDA performance-based, as a result of which assistance went chiefly to countries that implemented sustainable economic policies and focused their growth strategies on the social sector. The World Bank had managed to raise $3 billion at the recent eleventh replenishment of IDA since it had been able to demonstrate that its activities closely followed the mandate that the Bank had received from the donors, and that it had achieved convincing results. There was a need for a clearer consensus on the effectiveness of ODA in order to give donors a reason to keep their allocations at as high a level as possible.

64. Mr. Szymański (Poland) said that it was important to find ways of enabling all countries to achieve solid economic growth and sustainable development, beginning with the least developed countries. In the current global economy, international cooperation for macroeconomic growth and development could not be confined to Governments alone; it must include a broad range of participants. The factors for promoting an international environment conducive to development included the creation and maintenance of peaceful and stable economic conditions, democratization and the establishment of open, common, fair and transparent rules that offered equal opportunities for all.

65. Financial barriers — which resulted both from underdeveloped financial infrastructures and from huge external indebtedness — prevented developing countries in general and the least developed countries in particular from participating actively in the global economy, since such barriers limited their volume of foreign trade and their access to international financial markets. Both lending and borrowing countries must undertake effective measures to ensure debt forgiveness and debt-rescheduling in order to solve that worldwide problem. His delegation supported the Heavily Indebted Poor Countries Debt Initiative, whose implementation would require a high degree of international commitment. While the international strategy for improving the debt situation had helped many countries regain access to external financing, the debt situation of the poorest countries remained critical. In that context, the Initiative should be seen as a necessary and welcome addition to the international debt strategy.

66. The United Nations should play a supporting role in implementing the international debt strategy through the elaboration of a legal framework that provided guarantees to

all parties concerned, both investors and beneficiaries. Such efforts would meet the specific needs of the countries with economies in transition and would also be useful to many other developing countries. The General Assembly provided a suitable and effective forum for discussing those important issues. Non-governmental organizations and private business could play an increasingly important role in promoting development and encouraging Governments to re-examine and increase public involvement in the economic sphere.

67. His delegation fully supported United Nations activities to promote market-oriented economic reforms and structural adjustment and the expansion of capital flows, investments and trade. International assistance to countries that had undertaken economic reforms was of critical importance and must be continued. In efforts to address the adverse social effects of economic reforms, special consideration must be given to the programmes of action adopted in recent years by United Nations conferences. The Economic and Social Council was the most appropriate United Nations body for coordinating international implementation of those programmes of action.

68. Mr. Euy-Taek Kim (Republic of Korea) said that, in order to meet the challenges of globalization and economic interdependence, all countries must pursue sound macroeconomic policies designed to achieve sustained growth and facilitate their integration into the world economy. The benefits of foreign direct investment had not been shared by all; in fact, much of such investment had gone to fewer than 20 developing countries. His delegation hoped that appropriate measures would be taken at the national and international levels to ensure that the benefits of foreign direct investment were shared by as many developing countries as possible, since such investment played a critical role not only in terms of capital flow but also served as a channel for the transfer of technology and improved access to international export markets.

69. The importance of the private sector as the prime engine of economic growth and market integration could not be overemphasized. In order for developing countries to be able to attract private capital flows, they must maintain good governance, sound macroeconomic policies and close, cooperative working relations with international financial organizations. The United Nations had a key role to play in helping countries to help themselves by providing much-needed support for their capacity-building efforts.

70. While globalization had undoubtedly provided benefits to many developing countries, it had marginalized many others, especially the least developed countries. In that regard, international cooperation on macroeconomic policies in the fields of trade, finance and development must be further strengthened in order to enhance the benefits and reduce the adverse consequences of globalization and improve the integration of the least developed countries into the world economy.

71. ODA continued to be a crucial factor in the financing of development, especially for the least developed countries. It was therefore disturbing to note that the average level of ODA as a proportion of the gross national product (GNP) of developed countries had fallen in 1996 to a record low of 0.25 per cent. Donor countries should muster their political will in support of development assistance, which would help to foster a stable strategic partnership between developed and developing countries in an increasingly interdependent global economy.

72. The World Bank and IMF should play a leading role in ensuring the stable management of macroeconomic policies. His delegation encouraged IMF to exercise fully its role as overseer of the international monetary system, and it welcomed the recent decision to increase the financial capacity of the Bretton Woods institutions to tackle the problem of international financial volatility. A vigorous and active dialogue between the Bretton Woods institutions and the United Nations was highly desirable in that regard.

73. His delegation welcomed the initiatives taken by the World Bank and IMF to address the external debt problem, in particular their Heavily Indebted Poor Countries Debt Initiative. Debt-relief measures were needed not only at the multilateral level but also at the bilateral level. In that regard, his delegation welcomed the debt-relief measures that had been launched in recent years by the Paris Club as a significant step to alleviate the bilateral debt burden.

74. Mr. Kebede (Ethiopia) said that while it was true that foreign direct investment in developing countries had increased in recent years, many countries, particularly those in Africa, had continued to experience enormous difficulties in attracting such investment. Moreover, in terms of distribution, a relatively large percentage of the very small foreign direct investment in Africa had been absorbed by a handful of countries. The African countries called on their partners in the North to take measures to accelerate flows of foreign direct investment to the least developed countries and to Africa in particular.

75. Declining ODA had serious implications for African countries, which used much of their meagre resources to service their external debt and which were unable to attract foreign direct investment as investment opportunities were less attractive than elsewhere. For them ODA was essential to their efforts to alleviate poverty and achieve sustainable

growth and development. In that regard, his delegation called upon the developed countries to meet their obligation of allocating 0.7 per cent of their GNP for overall ODA for the development of developing countries and to ensure that, within that target, 0.15 per cent to 0.20 per cent of GNP was earmarked for the least developed countries.

76. External debt was a major stumbling block to the development efforts of many African countries. Unless a timely solution to that problem was found, debt overhang and debt-servicing would continue to contribute to the underdevelopment of Africa and the impoverishment of its peoples. While a number of initiatives had been put forward to address the problems of indebted countries, those problems had persisted, particularly in the poorest and heavily indebted countries. His delegation appreciated the efforts that had been made by the Group of Seven in connection with the Heavily Indebted Poor Countries Debt Initiative and welcomed the recent allocation by the World Bank and IMF of additional resources for the implementation of the Initiative.

77. There was a need to integrate the financial and monetary policies of both developed and developing countries; in particular, the exchange regime of the leading industrialized countries must be stabilized. At the same time, IMF and the World Bank should help the developing countries to stabilize their exchange regimes and pursue sound financial policies. Developed countries should assist the least developed countries in reforming the regulatory and institutional frameworks for promoting external trade, diversifying exports and improving the exchange-rate regime. His delegation supported the idea of holding an international conference with a broad agenda on the financing of development.

The meeting rose at 1.10 p.m.