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Summary record of the 52nd meeting

Held at Headquarters, New York, on Thursday, 19 March 1998, at 10 a.m.

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

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

Agenda item 95: Macroeconomic policy questions (*continued*)

(a) Financing of development, including net transfer of resources between developing and developed countries (*continued*)

1. **The Chairman** recalled that, as indicated in paragraph 4 of General Assembly resolution 52/179, the purpose of the Committee's resumed session was to "solicit the views of Governments on the inputs required from a broad range of stakeholders, including actors both within and outside the United Nations system, as well as views on key elements that might be included in the consideration of the topic of financing for development, and to identify potential sources of such inputs". During the informal consultations, many delegations had expressed the wish that the time until the next session of the General Assembly should be used to focus attention on topics related to financing for development and to prepare for the working group that would be established as the next step. Delegations had suggested that the Committee should organize a series of informal briefings both with officials of the Secretariat and other bodies of the United Nations system and with persons from outside the United Nations. Every effort would be made to make briefings as interesting as possible, bearing in mind the time constraints and the need to avoid conflicts with other meetings. Delegations should submit suggestions on topics that they considered to be most suitable for such briefings.

2. **Ms. Frechette** (Deputy Secretary-General) said that she was convinced of the need to enhance the profile and leadership of the United Nations in the economic and social spheres in order to strengthen the United Nations as a leading centre for development policy and development business. In their efforts to achieve that goal, Member States must ensure that their work was grounded in reality and that it was designed to help the Organization to deal with current problems and future challenges. They must also be prepared to bring their activities into alignment with identified goals and priorities.

3. The ultimate goal of the Organization's work in the economic and social fields was to promote social progress and better standards of life in larger freedom. In order for that work to be successful, it was essential to consider such important issues as global financial markets, open trade and regional arrangements, increased flows of investment, environmental threats and health hazards, the opportunities and ethical dilemmas arising from the communications revolution, and new and powerful actors in societies, from financial traders to influential non-governmental interest groups.

4. The roles and priorities of Governments around the world were being redefined to adjust to those new realities, and the United Nations must also make the necessary changes in its work. While new developments had brought undeniable benefits they had also created new vulnerabilities. It was therefore necessary to consider how the United Nations could reconcile the creative forces of entrepreneurship with the needs of the disadvantaged, rebuild the foundations of international cooperation in a world that was increasingly market-driven, and influence decision-making with a view to spreading the benefits of globalization. It was also important to motivate business to invest in economies where market signals were too weak to be heard, and to integrate the least developed countries into the global economy.

5. The Secretariat should give Member States the best possible support, *inter alia*, by providing solid, credible analysis and workable, creative suggestions on ways of achieving progress. There were many highly qualified and dedicated professionals in the various secretariats, whose talent and imagination must be harnessed in order better to serve Member States. The United Nations should become a focal point for the best minds of the world.

6. **Mr. Wibisono** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Committee should seek a wide spectrum of inputs and viewpoints on the key elements and topics to be included in the discussions leading up to the high-level international intergovernmental consideration on financing for development. In order for such a process to be successful, it should be based upon constructive dialogue and broad participation.

7. It was ironic that, while the development needs of the developing countries had mushroomed over the past decade, available financial resources had been shrinking rapidly. Most developing countries had had to rely on declining official development assistance (ODA) as their principal form of development financing. For the most part, the developing countries' strenuous efforts to adjust their economies in order to attract private capital had not yet been successful. Regrettably, ODA had been an early casualty of globalization and had declined sharply in real terms. Aid fatigue and fiscal stringency in the developed countries had also contributed to that downturn. Reduced ODA flows to the least developed countries had exacted an enormous toll on their social and economic development. For that reason, ODA and its revitalization should be a top priority for the forthcoming

preparations for the high-level international intergovernmental meeting.

8. Many developing countries that had succeeded in integrating themselves into the world economy and attracting private financial flows had experienced major setbacks owing to the volatility associated with investor confidence and the assumptions and decisions of private and corporate money-managers. Thus, the nature of private capital flows and how they could best be harnessed to developing countries' development needs should become a major theme over the coming years. Sources of information for the intergovernmental negotiations on that topic should not be confined to such mechanisms as the Group of Seven; rather, they should represent the broad range of interests and needs of both developed and developing countries.

9. While the role of the United Nations had grown both in scope and in complexity since the 1960s, and about $5 billion were allocated each year for social and economic development, the core resources for the main United Nations development programmes and funds had greatly declined. The Bretton Woods institutions had an enormous role to play in ongoing and future financing for development and should therefore play an important role in the preparations for the high-level intergovernmental meeting. Those institutions should be further integrated into the United Nations system and should increase their cooperation with the major programmes, funds and specialized agencies of the Organization.

10. External indebtedness was a major drain on financing for development. According to recent estimates, over half of the developing countries continued to be saddled with insurmountable debt burdens that greatly inhibited their progress. While the Heavily Indebted Poor Countries Debt Initiative had been a positive step, progress had been constrained by the failure to secure the adequate resources needed to implement that agreement. Regrettably, the many measures and policies to alleviate the debt burden had been helpful in the short term but had not contributed to a lasting solution. The Group of 77 and China believed that the "once-and-for-all" debt-reduction policy arrangements should be seriously considered in order to speed up the release of financial resources for more productive use.

11. In an era of globalization and unprecedented financial flows, the ability of the Bretton Woods institutions to manage the world economy effectively had become increasingly strained. It was therefore essential to review the capabilities and modalities of those institutions in order to respond in an effective and timely manner to financial crises induced by large-scale capital movements. The decision-making structures of those institutions must be reviewed and made more democratic so as to foster stability in the system.

12. It was necessary to consider what conditions were required, at both the domestic and international levels, to provide an enabling environment and other supportive measures for mobilizing resources. First of all, macroeconomic policies must be coordinated. In that context, the role of the International Monetary Fund (IMF) could be strengthened to ensure that the economic policies of the more powerful economies were not detrimental to the growth and development of the developing countries. Such measures would create an environment that would encourage financial flows, help offset the risk of financial crises and ensure the effective integration of the developing economies into global financial markets. One proven means of fostering development and effectively integrating the developing countries into the global economy was through South-South cooperation. The high-level meeting should therefore explore ways of strengthening South-South cooperation, particularly through tripartite and evolutionary approaches and the involvement of the private sector.

13. The concept of the peace dividend should be reviewed during the high-level meeting, since savings from the reduction of the military expenditure of the developed countries could be channelled into international cooperation for development. The fact that very little of those savings had been reallocated to economic and social development in the post-cold war period did not mean that such flows could not be deployed in the future.

14. In the light of the various important issues involved in preparations for the high-level international intergovernmental consideration on financing for development, several briefings should be held prior to the establishment of an ad hoc working group. All such briefings should maintain a clear balance between ongoing discussions and any innovative ideas on financing for development that might be presented. There was also a need to strike a balance between the number of experts representing the developed and developing countries.

15. **Mr. Gomersall** (United Kingdom), speaking on behalf of the European Union, the associate countries of Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and the associate country of Cyprus, said that a number of recent United Nations conferences had discussed the question of financing for development both in relation to their specific themes and in a more general manner. Accordingly, further work on the subject of financing for development should build on the principles agreed in those earlier discussions.

16. Consideration of the development process and its broad objectives must include the full range of potential sources of financing for development, both domestic and external. The material compiled and submitted to the General Assembly pursuant to Assembly resolution 52/179 should cover all elements, including their role in development and the relationship between them. A primary source of information would be the Governments of developing countries themselves, since the greater part of the financing needed for a country's development came from its own resources. It would be interesting to hear what steps Governments were taking to develop coherent and comprehensive strategies to use their own and other resources for the implementation of poverty-alleviation policies. Income distribution and income concentration in developing countries should also be addressed.

17. It would be useful to seek the views of recipient and donor countries on how to achieve maximum efficiency and effectiveness in the use of resources for development, including ODA. Interesting and valuable information might be available on revenue mobilization; food-security mechanisms; sectoral investment programmes; external-debt management; savings and interest-management policies, and capital repatriation; and the enabling environment for trade, including the legal framework, a well-functioning banking sector and a diversified capital market. In that context, it was important to bear in mind that the domestic policy framework was a key determinant of the availability of external financing from the private and public sectors. He hoped that the Governments of developing countries would be prepared to supply information concerning their policy dialogues with the World Bank and other bodies. It would also be useful to have information on their sustainable development strategies, policies on South-South cooperation and trade with other developing countries at the regional and global levels.

18. In view of the volume of material, it would be best to focus on a small number of developing countries, including least developed countries, which might be selected on the recommendation of the regional groups. Information should also be sought from the industrialized countries. The latter should be invited to provide information not only on their ODA flows, but also on their bilateral and multilateral development initiatives, including those oriented towards international financial stabilization, improved market access for developing countries and measures to alleviate the debt burden. They should also be asked to describe their progress towards fulfilling the ODA target of 0.7 per cent of gross national product and, if applicable, the constraints which they faced in that regard.

19. Information on private financial flows should also be sought from the Governments of industrialized countries and the bodies which represented private business, including export credit and export guarantee agencies, banks and firms which handled portfolio and direct investment. Governments and groups of Governments of donor countries should be asked what they were doing to coordinate their policies towards developing countries; the OECD Development Assistance Committee (DAC) and, in the area of debt relief, the Paris and London Clubs could provide useful information in that regard.

20. Multilateral institutions should be able to contribute on a range of issues depending on their expertise and IMF should be able to offer guidance on wider issues, including the prospects for levering increased private sector flows. Innovative ideas for generating resources for development should also be included. The multilateral institutions should analyse potential opportunities and challenges, including ways for developing countries to take advantage of the opportunities of globalization and measures to minimize any potential negative impact; they might also assess the reasons for the success of some developing countries in attracting foreign investment. Academic institutions, think tanks, non-governmental organizations, and other organizations of civil society, particularly those which focused on development issues, could also provide helpful insights.

21. **Mr. Richardson** (United States of America) said that his Government was deeply committed to the establishment of a new global partnership for development. Preparation for the ad hoc open-ended working group called for in General Assembly resolution 52/179 would entail a review of current thinking on cooperation, development and financing.

22. It was important to examine what had been effective and what had not. Official development assistance (ODA) had led to many gains over the past 20 years, although it was now on the decline. It was important to seek ways of improving both bilateral and multilateral assistance in order to attain global development goals. It was also necessary to examine ways of enticing private financial flows to an expanded number of countries and to consider ways of integrating the private sector more strategically into the development agenda. At the same time, it was important to help Governments mobilize domestic resources and make use of innovative financing mechanisms.

23. Efforts should also be made to engage a broad range of stakeholders in order to clarify the respective roles of Governments, the private sector, non-governmental organizations and civil society in promoting global development. States should not try to do what global markets

were better qualified to do, but they could take steps to ensure that those markets operated efficiently. Of course the General Assembly was not the only forum where development finance was being discussed and much of its work would be in parallel with that of the governing bodies of the international financial institutions and others. His delegation therefore supported the proposal for the holding of informal seminars with the participation of multilateral development banks, regional organizations, bilateral assistance agencies, the private sector, non-governmental organizations and Governments of developing countries.

24. **Mr. Kolby** (Norway) said that the approach to development financing must be both broad and flexible and should focus on the needs of the least developed countries. Any new or innovative mechanisms of funding must be additional to, not a replacement for, official development assistance. At the same time, recipient countries must be willing to set appropriate priorities and implement the corresponding instruments in their national policies.

25. The global agenda agreed on at recent world conferences and summits had generated many new and important United Nations activities, yet the Member States which had agreed to those activities lacked the political will to finance them. In future, negotiations on financing should be held in parallel with discussion of proposals for new programmes, and the additional funds needed should come primarily from countries whose contributions were currently not proportionate to their ability to pay rather than from the traditional small group of donors. Expansion of the donor group, including private sector funding, should also be considered in the context of new and innovative funds and mechanisms. In that regard, he drew attention to the discussion held during the 1997 substantive session of the Economic and Social Council and to the report of the Secretary-General contained in document A/52/203. In preparing the documentation for the fifty-third session of the General Assembly, the Secretariat should draw on the many development studies that had been carried out worldwide. In particular, his delegation welcomed the establishment of the Office for Development Finance and looked forward to its contributions.

26. **Mr. Konishi** (Japan) said that his Government welcomed the holding of consultations on development financing as a potential opportunity for strengthening the global partnership for development and emphasized the need for a non-confrontational, constructive approach. It was important to ensure, not only that sufficient resources were allocated to development, but that they were used as appropriately and efficiently as possible. His delegation welcomed the establishment of the development account and hoped that Member States would be able to agree on arrangements and procedures for its use so that specific programmes could be implemented as soon as possible throughout the United Nations system.

27. The discussion of resource mobilization should cover all possibilities – domestic resources, foreign direct investment, ODA and new and innovative ideas. Although economic constraints had forced a 10 per cent reduction in Japan’s assistance for 1998, the Government recognized that ODA remained an important source of development financing and had made every effort to minimize the impact of that reduction. However, media criticism of the Government as a result of unsuccessful ODA projects had lessened domestic support for such assistance. Developing countries, in turn, claimed that donor countries often sought to impose their own agendas and that the resulting compromises satisfied no one.

28. In order to address those problems, ways must be found to improve national execution of development programmes, ensure the ownership of such programmes by developing countries and enhance coordination between the donor community and recipient countries. In addition, his delegation called for the adoption of an output-oriented approach, the idea being to select a limited number of indicators by which to judge the success of the joint development effort and to channel resources accordingly. Focusing development efforts in that way would increase the likelihood of achieving maximum impact. If efficiency was visibly improved that, in turn, would boost domestic support for ODA in donor countries.

29. Attention should also be given to the negative aspects of private capital flows – namely, their volatility and concentration in a small number of countries. Although the domestic environment was the key factor in determining the degree of private sector involvement, it would be worth studying the possibility of using ODA to leverage private sector participation. Accordingly, his delegation proposed that the Committee should look at how countries which had achieved economic take-off had mobilized domestic and external resources, prioritized development spending and created a partnership between the public and private sectors. One briefing session should be devoted to a case study of such a country.

30. **Mr. Escovar-Salom** (Venezuela) said that the creation of a stable international financial system which would guarantee the active participation of developing countries in the global economy and world financial markets was one of the most important targets of globalization and would require the development of a financial structure capable of guaranteeing official and private financial flows to developing

countries. The Group of 24 had emphasized the urgent need to establish a working group which would allow developing and developed countries to consider such issues as the capacity of international financial institutions to meet the challenges of globalization, the need for greater participation by developing countries in the decision-making processes of those institutions, modalities for the creation of national systems to protect the most vulnerable populations of countries in crisis and effective monitoring of policies which affected key international financial and monetary variables. That discussion must take place within the United Nations.

31. Any serious discussion of development financing would have to cover the main aspects of international cooperation in development, and include official and private capital flows, public and private external debt, reform of the international financial and monetary system, mechanisms for the creation of a favourable international environment and consideration of new and innovative sources of development financing.

32. Reform of the international monetary and financial system was central to the discussion, for the world had changed greatly since 1944, the year the Bretton Woods institutions had been established. Yet the latter had not adapted; nor had they understood that, as a result of economic and financial globalization, more and more developing countries were playing a vital role in the world economy and thus having a major impact on the economies of developed countries. According to the World Bank, developing countries would account for 56 per cent of all consumption and 57 per cent of world capital formation by the year 2010. International economic issues must be discussed in the United Nations, rather than being left in the hands of an international technocracy which was not equipped to deal with problems whose complexity was due not merely to technical issues. Moreover, since the discussion of economic issues was essentially a political debate, all States should be able to participate in order to protect their own interests.

33. In the 1980s, discussion of financial and monetary issues had been transferred from the United Nations to the Bretton Woods institutions; despite their high level of technical expertise, the latter did not always choose the best way of handling the political and social repercussions of the international financial situation. The Mexican crisis and the more recent Asian crisis had demonstrated that the way the international monetary and financial system operated was less than perfect, one reason being that it was not representative of the international community, now that the developing countries were participating increasingly in the world economy, another that it was continually subject to the influence of powerful financial sectors.

34. **Mr. Canchola** (Mexico) said that it was important for the Committee to identify the questions that should be considered and discussed in order to clarify concepts and overcome differences in the area of international cooperation and action for development. Issues relating to the topic of financing for development covered a broad range of interrelated questions including investment, debt, fiscal policies, commodities and official development assistance. The documents prepared by the Secretariat for high-level international intergovernmental consideration should address those questions in a comprehensive and integrated manner and should include Government’s inputs on those issues.

35. To that end, the Secretariat should prepare a study on existing sources of financing for development, the object being to list the various sources and show which were the largest sources of financial cooperation in development. In parallel with that study, an institutional review should be conducted of the international organizations involved in financing, particularly the Bretton Woods institutions, and of their decision-making mechanisms. That would call for an analysis, at the institutional level, to determine which agencies of the United Nations system participated in the financing of activities.

36. **Mr. Sharma** (India) said that the process launched by the adoption of General Assembly resolution 52/179 provided a historic opportunity to focus on the crucial issue of financing of development and to re-equip the United Nations to discharge its Charter responsibilities in the area of development. It would also be useful to receive inputs from a broad range of sources, including Governments, the United Nations Conference on Trade and Development (UNCTAD), the World Bank, non-governmental organizations and academics.

37. The various reasons for the downward trend in official development assistance should be analysed and measures should be put forward to arrest that decline. The nature, distribution, composition and terms and conditions of private capital flows needed to be analysed and better understood in order to ensure that they were not only consistent with the evolving international consensus on development, but also appropriate to the needs and priorities of developing countries.

38. The volatility of short-term capital flows and measures to contain that phenomenon also required further study. The study would cover, *inter alia*, the role of sound domestic macroeconomic policies, how to reduce the abrupt reversal of flows, much needed international policies and regulatory measures and coherence in macroeconomic policies, particularly among the world’s leading economies. The

turmoil in East Asia had brought into focus the need to cope with the challenges of globalization and liberalization, including in times of crisis.

39. The argument that developing countries must themselves generate the resources for development ignored the reality that they already relied mainly upon domestically generated savings to finance their investment for development. It also ignored the distortions in resource availability that arose within the international trading system, particularly through the implementation of commitments under the Uruguay Round. Another major area of concern was tariff escalation, the practice of setting higher tariffs on processed goods than on raw materials, that locked developing countries into volatile primary product export markets, where real prices were declining, and discouraged them from seeking to add value to their exports. Studies that focused on the issues of quotas and tariffs would be extremely useful. Furthermore, additional work was needed under the broad rubric of systemic or institutional issues focusing on the interface between the United Nations and private sector funding.

40. The time between the conclusion of the resumed fifty-second session and the fifty-third session of the General Assembly could be used to prepare for the Committee's deliberations in the working group to be established under General Assembly resolution 52/179. The Committee could be briefed on ongoing processes and such briefing could be supplemented by mechanisms such as panels.

41. **Mr. Duval** (Canada) said that, even at a time of fiscal austerity, his Government had recently decided to maintain its funding of United Nations funds and programmes at their 1997 levels; that demonstrated his Government's firm commitment to the process of globalization. Recent developments in the international economy had demonstrated the need to consider positive and negative aspects of the mechanisms for financing development. While countries were justifiably concerned about the short-term adjustment costs of opening their markets further, integration into the global economy continued to be a powerful strategy for development. It was the best way of ensuring sustainability of financing. His delegation was open to discussion of capital mobilization from traditional and new sources, and expected a discussion of the ways in which ODA could be leveraged to attract further investments and promote development. Ways of enhancing the domestic enabling environment for investment, including financial sector reform, and the pace and nature of liberalization should also be discussed. The Committee should also review strategies to promote internationally competitive domestic enterprises and micro-enterprises.

42. However, development was more than just increasing physical capital. It also entailed closing the knowledge gap between the rich and the poor, both within and between countries. Indeed, a recent World Bank study of 192 countries had concluded that inputs in human resource development had been among the more important contributions to growth.

43. Financing was therefore was not an end in itself. A rapid restoration of macroeconomic growth that subordinated social concerns would not achieve sustainable development. The challenge for countries was to balance investments in growth and investments in human and social capital even while the fast pace of economic globalization appeared to accelerate the tensions between the two. In his delegation's view, the Committee's discussions, should conclude with recommendations of how countries and people might meet the basic human needs, goals and objectives established by recent United Nations conferences. The discussions should focus on three aspects: an enabling international environment; an open and transparent domestic environment; and options for financing social progress. Moreover, particular attention should be given in the discussions to those countries that had the most difficulty in attracting capital, in particular the least developed countries and sub-Saharan Africa.

44. The Committee should also draw upon all ongoing processes elsewhere in the system. In that regard, his delegation supported the panel approach. The enormous variety of options on financing for development could best be conveyed to delegations by experts involved in implementing those options. Finally, his delegation also supported the collaborative approach to the Committee's work, involving, the elaboration of a document with inputs from the Secretariat as well as from delegations.

45. **Mr. Hughes** (New Zealand) said that ODA could play an important role in promoting an environment within which foreign direct investment could be attracted to those countries which were least developed and least able to attract support from the private sector. Indeed, New Zealand had increased its own ODA expenditure by more than one quarter in the last three years. The share of the total ODA budget that New Zealand directed to the United Nations system had increased by 58 per cent in the same period. The role of ODA was to provide an enabling environment and to support the development of infrastructure and capacity-building in areas which were unable to attract the private sector, such as basic education and health. New Zealand's ODA efforts in the South Pacific were placing greater emphasis on those two areas. However, as a proportion of overall capital flows to developing countries, ODA was increasingly being overshadowed by other players.

46. Foreign direct investment, the largest source of private financial flows to developing countries, had a major role to play in development. It also represented a significant source of technology transfer and assistance in building export markets. A key question was to find ways for the international community to assist developing countries in attracting more foreign investment and ensure that the role such investment played in their economies was a beneficial and sustainable one.

47. Good governance was crucial to creating an enabling environment to attract private financial flows. Sound development planning required the involvement of the wider community, including civil society. It was also essential that social and gender issues be addressed. Taking those factors into account paved the way for overcoming some of the constraints of earlier international efforts at structural adjustment.

48. There was an increasing need to look for innovative mechanisms to fund development. The development community, including United Nations aid agencies, must be ready to take advantage of the emergence of many new modalities for development financing. The key to attracting support from donor Governments was the ability to demonstrate a programme that was effective, well targeted and capable of producing the desired results. New Zealand was committed to transferring a significant proportion of its development assistance through multilateral institutions. However, that was predicated on the ability of the multilateral system to improve its cost-effectiveness operations and to demonstrate better coordination and cooperation with other players.

49. **Mr. Sfeir-Younis** (World Bank) said that a vision regarding the role and scope of development cooperation should form the basis for a debate on financing for development. Development financing should be considered in the context of a number of documents already endorsed by the international community, such as an Agenda for Peace and the Agenda for Development. In addition, priorities must be set among different themes.

50. A net increase in financial resources could not, in itself, engineer major changes in domestic, regional and global policies. The expansion of human, natural, institutional and cultural capital was a profound determinant of development performance. More money, without regard for the quantity and quality of those forms of capital, would not achieve anything. In that context, recent studies of wealth creation and capital formation for a very large number of countries had shown the critical importance of the role played by human capital development.

51. The financial issues and problems facing developing countries were clearly tempered by an important set of non-financial ones. Examples of that were institutional capacity, the effectiveness of the banking system and the efficacy of the legal framework.

52. Development effectiveness was of central importance. Specifically, the focus should be on the very intricate interactions between expanding the supply of financial resources and the accumulation of other forms of capital participating in the development process. Finally, the debate should not focus simply on getting additional money. The challenge was to find new and more innovative forms of financing, and to understand, for example, the role that policy changes played in accumulating financial capital, and to be very vigilant in relation to leakages and wastage of financial resources.

53. The debate should centre on at least three broad dimensions: policy, institutional and operational dimensions. In addressing all those dimensions, it was essential to emphasize national policies and their role in determining a large number of development outcomes. That applied particularly to issues such as crisis prevention and domestic institutional reform.

54. An intergovernmental discussion on the financing of development could focus, among other things, on economic integration and financial integration; improving aid effectiveness, globalization and decline in ODA; building effective alternatives to the dependency on aid and strengthening of the global economy; and foreign debt and the expansion of grant financing.

55. **Mr. Kamal** (Pakistan) said that the root cause behind the inability to realize the goal of world peace was the failure to acknowledge the socio-economic factors that had led to strife in the first place. Distressingly, many parts of the world continued to be conflict-ridden, and the struggle for development was losing ground. Marginalization at both the international and national levels was increasing, and billions of people were being denied the fruits of success. The international community must respond to the urgent need for international cooperation in the area of development and accord serious consideration to the question of providing funds for economic growth in developing countries.

56. Although the need for such an investment had been widely recognized, little had been done. Since 1992, ODA had decreased by 16 per cent in real terms, making it more difficult to reduce poverty to acceptable levels. Whereas in 1995, the flow of ODA to developing countries and multilateral organizations had amounted to 59 billion dollars, in 1996 it had dropped to 55 billion dollars. If the current rate

of decline persisted, by the year 2012 ODA would no longer exist. It was essential to reverse that decline, for ODA was a vital resource to the poorest countries, which received negligible levels of commercial flow.

57. Although private investment had indeed increased dramatically, it tended to flow towards those places where it was least needed; 80 per cent was currently reaching a handful of countries, while the poorest countries received virtually none. Moreover it was highly volatile; the recent crisis in East Asia had shown the fragility of economic growth achieved by that means. A consensus was emerging that efforts should be undertaken to improve the regulation and monitoring of private capital flows.

58. Unsustainable levels of external debt were a serious threat to long-term economic growth, for they not only were a drain on development financing, but also discouraged private investment. While initiatives had been launched to redress the problem of external debt in the poorest countries, further initiatives were needed to find an equitable, development-oriented and durable solution to the problems of external debt for lower and middle-income countries as well.

59. The lack of development funds was exacerbated by the tendency, on the part of existing institutions, to hinder the development efforts of the developing countries. The international financial system had failed to foresee the crisis looming in East Asia. Furthermore, the policy reform packages of the International Monetary Fund were clearly inadequate, and multilateral development banks had lost their sense of direction. In an era of globalization and unprecedented financial flows, the ability of the Bretton Woods institutions to manage the world economy had become strained. Reforms should be undertaken that would allow for close consultation between those institutions and the Member States of the United Nations, so as to enhance the capacity of those institutions to respond to the needs of developing countries and provide for more equitable country representation on their boards. The forthcoming meeting of the Economic and Social Council with the Bretton Woods institutions should set the tone for future consultations.

60. Pakistan had been encouraged by the Secretary-General’s “peace dividend” and looked forward to the fulfilment of that promise. In addition, however, although United Nations programmes had grown, core resources for those programmes had dwindled, a trend which should be reversed. Finally, his delegation fully supported the paper presented by the Group of 77 and China on the subject of financing for development.

61. **Mr. Cho Chang Beom** (Republic of Korea) said that the debate that had traditionally taken place at the United Nations with regard to the mobilization of funds and resources for development had been limited by the absence of representatives from the relevant financial institutions. The principal issues had been outlined by the Group of 77 and the European Union.

62. Financial liberalization was a key element in the development process, and especially in the matter of private financial flows. As had been discussed at various expert meetings, the East Asia financial crisis would have far-reaching policy implications on private capital flows to the developing world. His delegation believed that an important factor for development financing would be the identification of elements which would allow for sustained, steady capital flows to the developing world while at the same time safeguarding against volatility and the risk of further crises. The current crisis in East Asia simply indicated that the world was moving from a labour and resource-intensive development model to one that was capital-intensive. Unfortunately, some of the newly emerging economies had suffered from that transition. Regional arrangements to strengthen regional banks, and regional financial strategies, should improve the creditworthiness of the developing world. In addition, South-South cooperation, supported by the developed countries, might prove useful in the mobilization of resources.

63. Finally, he stressed that government financial officials and representatives of multilateral and also private financial institutions must participate in the ad hoc open-ended working group to be established pursuant to General Assembly resolution 52/179. The proximity of Wall Street to the United Nations could facilitate a realistic, down-to-earth discussion.

64. **Mr. Relang** (Marshall Islands) said that how to finance the development efforts of developing countries was a problem that had long confronted the international community. Currently, his country was receiving less official development assistance and fewer rent and compensation payments under international treaty obligations than previously. The small island developing States had yet to find a way of attracting private financial flows which would not further contribute to their vulnerability.

65. His Government had recently completed a national development plan, called the Public Sector Investment Programme, and had begun to seek views on the projects it contained. The plan was designed to complement but not replace the Programme of Action for the Sustainable Development of Small Island Developing States; the latter

remained an important guide for regional and international development projects. In that regard, his delegation looked forward to the meeting of the small island developing States with donor Governments, which was to be convened later in the year.

66. **Mr. Simonović** (Croatia) said that international cooperation was crucial to the future growth and development of the less developed countries, countries in transition, and post-conflict countries. Accordingly, his delegation welcomed the creation of a forum for the continued discussion of the matter of financing for development, as set forth in General Assembly resolution 52/179. The Secretary-General had correctly pointed out that international development must be based on partnership rather than on competing interests. Private capital investments were often aimed at quick returns, a purpose which was sometimes incompatible with the long-term objectives of sustainable development.

67. The responsibility of the international community towards post-conflict countries should not end with the establishment of peace, but should also include economic reintegration with a view to reinforcing and sustaining stability. Croatia faced the complex challenges of mine clearance, reconstruction and development. Although it would like to be able to rely on its own capacities and resources, if it was to achieve economic revitalization, it would require development assistance. In that regard, the Government would hold, with the assistance of the European Union and the Organization for Security and Cooperation in Europe (OSCE), a pledging conference for reconstruction and development, to focus on procedures for the return of displaced persons. Croatia was seeking to attract finance for development both from within and from outside the United Nations system; the United Nations, which had a stake in peace not only throughout the Balkans but in many other regions of the world, should continue its commitment to post-conflict countries in order to ensure stability and sustainable development.

The meeting rose at 12.55 p.m.