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President: Mr. FULCI (Italy)

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

STATEMENT BY THE DEPUTY SECRETARY-GENERAL

Ms. FRÉCHETTE (Deputy Secretary-General) said that collaboration between the United Nations and the Bretton Woods institutions had come far, and that there were many issues on which the International Monetary Fund (IMF) and the United Nations could and should maintain a dialogue and cooperate.

The first of those issues was the eradication of poverty. The IMF was being asked by its own governing board to pay more attention to that fundamental issue, a policy development that the United Nations could only welcome. The fight against poverty was emerging as one of the greatest challenges of the day and was likely to be one of the major themes of the forthcoming Millennium Summit. A number of United Nations agencies had developed considerable expertise in poverty eradication strategies, and the joint poverty reduction strategies papers to be developed jointly by the Fund and the World Bank should make as much use of that expertise as possible. She underlined the need for coordination at the country level, which was a key goal of the Secretary-General's reform programme. All organizations must show sufficient flexibility to avoid burdening their developing country partners with competing or overlapping requirements. The decline in resources for official development assistance (ODA) was a matter of concern, and it was welcome news that IMF had found a creative way to fund the Heavily Indebted Poor Countries (HIPC) initiative. Without an increase in such assistance, poverty reduction goals would be hard to meet.

A second issue of common interest was governance. Extensive programmes of technical assistance and capacity-building, mainly administered by the United Nations Development Programme (UNDP), were helping nations to privatize moribund State industries, reform legal and institutional environments, improve public administration, fight corruption and promote human resource development, all of which prepared the groundwork for high levels of domestic and foreign investment.

A third area where cooperation was highly desirable, indeed imperative, was post-conflict peace-building. One of its most difficult aspects was that it often involved parallel processes: on one track, implementing far-reaching political, social and institutional reforms aimed at addressing the root causes of conflict, and on a second, rigorous economic stabilization and structural adjustment programmes. Programmes on the first track almost invariably imposed significant new burdens on Government finances, causing interference with stabilization programmes and making additional external financing necessary. Since in most war-ravaged countries the prospects for increasing domestic financing were very limited, the need for additional external finance would become acute. Unless the international community made a special effort to facilitate financing for the transition from post-conflict peace-building to durable peace, international and domestic peace efforts might be jeopardized. The Secretary-General had called for such peace-friendly adjustment programmes in his 1998 report on the sources of conflict in Africa.

Whether the subject was reducing poverty, improving governance or helping countries emerging from conflict to find stability and prosperity, the global environment could make a big difference. The United Nations had thus taken an interest in the debate over the "new financial architecture". While some of the feared impacts of the Asian financial crisis had not materialized, no one would wish to see the upheaval and instability repeated. Moreover, the risks of new crises and a slowdown in world economic growth were still significant and did not allow for complacency. The momentum for reform must be maintained. Debate in the United Nations had focused on the need to increase the participation of developing countries in the management of the world economy and for institutions to reflect those countries' role.

It did little good if the United Nations and the Bretton Woods institutions existed as separate pillars of development, with each institution having its own distinct expertise but standing ultimately in magnificent isolation. Currently, those institutions had become much more intertwined and were working towards a single, integrated vision of development. In that spirit, they would move ahead as partners.

STATEMENT BY THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND (IMF)

Mr. CAMDESSUS (Managing Director of the International Monetary Fund (IMF)) said that the recent meeting of the Executive Board of the Fund had concluded on a note of some excitement because they had recognized that global economic conditions had improved significantly. Growth in world output would be higher than expected, and the pickup in growth was expected to continue in 2000, both in industrialized countries and in the emerging market economies. Although it could be difficult to manage monetary policy in an environment of low inflation, he saw a move towards a more balanced pattern of growth in the major economies as a result of a slowdown in North America and a pickup in Japan and Europe. The recovery of the emerging markets after the recent crisis had been unexpectedly rapid in Asia and better than expected in Brazil and the Russian Federation, although still fragile. Much depended on the perseverance of the Asian authorities on the path of adjustment.

The decline in inflation was an important achievement, but that alone was not enough to guard against macroeconomic instability. The current challenge was to provide stimulus to the monetary system while remaining alert to price fluctuations. The Executive Board had also taken steps to prepare for the potential consequences of the "Y2K" bug by creating a temporary new financial facility to assure countries and markets that there would be an immediate response from the world financial system in the event of a serious problem.

In the area of poverty reduction, much had been learned about the relationship between the financial system and poverty. Proper social policies went along with financial policy in triggering a "virtuous cycle" that led to a reduction in poverty and inequality. The IMF was participating in the Poverty Reduction and Growth Facility along with the World Bank, which also had strong country involvement. Greater emphasis must be placed on good governance, with priority given to a limited number of key reforms. The macroeconomic framework must be made compatible with social objectives; national budgets must have enough room to deliver health care and education to their people, for instance. A method had been found to finance the enhanced HIPC debt initiative through the mobilization of gold resources. A strong link would be established between debt reduction and human development, as poverty alleviation strategies were an essential part of the social pillar of the new international financial architecture.

In conclusion, although there was still a need to involve the private sector in efforts to prevent future financial crises and to find other sources of funding for poverty alleviation, recent changes and trends gave him cause for reasonable optimism about the state of the world's economy.

DIALOGUE BETWEEN THE ECONOMIC AND SOCIAL COUNCIL AND THE EXECUTIVE DIRECTORS OF THE INTERNATIONAL MONETARY FUND

The PRESIDENT, in initiating the dialogue with the International Monetary Fund (IMF), said that the central concern of the Council at its substantive session had been the eradication of poverty. The resulting Ministerial Communiqué had integrated the employment and gender dimensions in the struggle against poverty, along with the decisions on external debt taken at the Cologne summit of major industrialized countries. The issues of poverty and debt had also received considerable attention during the deliberations on African development, since 33 of the 41 nations on the list of heavily indebted poor countries were in Africa.

The Council had also given greater visibility to humanitarian affairs by addressing international cooperation and coordination in response to humanitarian emergencies, particularly the transition from relief to rehabilitation, reconstruction and development. In its agreed conclusions, the Council had observed that those needs should be addressed simultaneously, and that planning for rehabilitation should begin at a very early stage. Collaboration between the United Nations and the Bretton Woods institutions was a crucial factor in developing more flexible financing for transition programmes.

The Council had also contributed to the design of a long-term programme of support to Haiti in response to a Security Council recommendation, reviving a long-dormant provision of the Charter, Article 65, which made it possible for the Council to furnish information to the Security Council and to assist it upon its request.

The Council had displayed a noteworthy ability to bring together stakeholders from all areas - Governments, non-governmental organizations, academia, field workers in development and the international financial institutions - thus proving its capacity to serve as a truly global forum.

Mr. DESAI (Under-Secretary-General for Economic and Social Affairs) said that globalization had been the dominant theme of the current year's general debate and Second Committee deliberations. Those discussions had focused on the following topics: the need for policy coherence at all levels and in all areas; the countries left out of the process (the least developed countries, especially those of Africa and those engaged in post-conflict peace-building); poverty eradication; and the social impact of the recent financial crisis.

The Managing Director of IMF had often spoken of the importance of "quality of growth". That issue had been at the heart of the major United Nations conferences of the 1990s, just as implementation of the programmes of action of those conferences had figured largely in the work of the General Assembly and of the Council. However, an absence of anticipated financial support for that implementation had tended to erode consensus on the importance of taking quality of growth into account in follow-up activities.

For over a decade, the Second Committee had ensured that the issue of debt relief remained on the agenda of the General Assembly. More recently, there had been concern at the social impact of the financial crisis. The Assembly was currently discussing the so-called "finance for development" process in preparation for the high-level international intergovernmental forum on financing for development to be held in 2001.

Poverty eradication and the Heavily Indebted Poor Countries (HIPC) initiative

The PRESIDENT said that current trends were deeply disturbing: in many regions, particularly in Africa, the proportion of people living in poverty was increasing rather than declining, and even in East Asia, which had made remarkable progress in poverty eradication, the recent financial crisis had caused serious setbacks. Major efforts would be required if the target of eradicating poverty by 2015 was to be reached.

Poverty eradication should be integrated into macroeconomic policy frameworks and structural adjustment programmes. Governments must not only develop national poverty eradication strategies, but also implement them. It was important to ensure food security and nutrition; primary health care and basic education for all; safe drinking water and sanitation; real gender equality; productive employment; shelter; and, above all, accelerated and sustained, employment-generating economic growth accompanied by safety nets for the weak and vulnerable.

Such an approach would require major resource mobilization at the national and international levels; a more favourable and equitable external economic environment; increased and better access to international financial flows; reduction of the debt burden to sustainable levels; and improved market access.

Mr. BOOTE (International Monetary Fund) said that as a result of the more generous debt relief package agreed to under the HIPC initiative, overall expenditures had risen to US$ 27 billion, including US$ 15 billion of debt service relief over time. It was estimated that the HIPC initiative, together with traditional debt relief mechanisms such as those of the Paris Club and other creditors, would reduce the external debt burden of the heavily indebted poor countries by over 50 per cent.

However, debt relief alone would not solve all the problems of the poorest countries; it must be used to encourage and support structural reforms. During the past six months, IMF had focused on strengthening the link between debt relief and poverty reduction. At the HIPC initiative review seminar, held in Addis Ababa in July 1999, the overall conclusion had been that it was not enough for debt relief to lead to poverty reduction; it must be ensured that all the resources at a Government's disposal were used to that end.

Thus, debt relief must be an integral part of a comprehensive approach reflected in a nationally owned poverty reduction strategy, which must address obstacles to growth and involve the participation of civil society, particularly the poor, together with donors and multilateral institutions, including the United Nations system, at the local level with an emphasis on transparency, accountability and good governance. There must be clearly set, outcome-oriented goals linked to development targets, a series of indicators to monitor progress in implementation, and resources adequate to attainment of those goals. Poverty Reduction Strategy Papers would have to be approved by the executive boards of the two Bretton Woods institutions and would serve as a basis for their lending to the countries concerned and, he hoped, for donor support as well.

Such an approach would entail major changes in the way the Bretton Woods institutions operated in low-income countries and would require even closer cooperation between the World Bank and IMF. The ultimate objective of the new approach was the long-term goal of restoring the developing countries' willingness to provide ODA.

Mr. BERNES (International Monetary Fund) said that in some ways, implementation of the HIPC initiative was the least controversial aspect of IMF involvement in poverty reduction efforts. The Extended Structural Adjustment

Facility (ESAF) and the new focus of the HIPC initiative were designed to address three criticisms that had been directed against the initiative in the past: insufficient national ownership; inadequate coordination among the major international organizations, bilateral donors and Governments; and a perception that the initiative promised more than it delivered.

Those issues were being addressed through a change of culture within IMF, including acceptance of greater local ownership and strengthened cooperation among the parties concerned as a means of reducing the burden on Governments, which currently must deal individually with a host of agencies and donors. Largely as a result of the Asian financial crisis, the social sector, once considered peripheral to IMF concerns, had been brought to the fore, although the extent to which that was so remained the subject of heated debate. Poverty eradication and social spending were prerequisites for macroeconomic growth, and public support for reform efforts was contingent on the people’s confidence that their right to benefit from growth and to be protected from financial shocks was recognized.

A broader debate was emerging; for example, the World Bank was considering the establishment of a code of social policies. However, that raised the question of whether the international community could agree on a set of universal principles that would be subject to international surveillance and the extent to which such surveillance impinged on national sovereignty. However, the Bretton Woods institutions could not be asked to substitute for governments’ involvement of civil society in programme development at the country level.

Mr. MANGOAELA (Lesotho), speaking as Vice-President of the Council, said that while a company could survive heavy losses and major debt, provided that it had a high level of investor confidence, the same could not be said of developing countries, which had experienced a significant increase in their ratios of debt to exports and debt to gross domestic product (GDP). Debt overhang remained a serious problem; the 41 countries included in the list of heavily indebted poor countries had a total debt burden of US$ 201 billion as at 31 December 1997, of which multilateral debt accounted for 28 per cent. Their ratio of debt to exports (345 per cent) and the level of their debt arrears were the highest ever reached by any group of developing countries.

There had been encouraging initiatives by the international community, including efforts to make the HIPC initiative more effective and the Paris

Club's involvement of the private sector in a comparable treatment of developing countries' debt. Nonetheless, implementation of the HIPC initiative had been slow, to say the least, and few countries had benefited from it. He therefore welcomed the Cologne initiative and was pleased that the sale of IMF gold reserves would not have an adverse impact on the gold market, since some of the poorest countries were dependent on stable gold prices. While national ownership of Poverty Reduction Strategy Papers was essential at the level of policy, from a technical standpoint the Bretton Woods institutions and the entire international community should assist in their drafting and implementation.

He summarized the United Nations proposals for an enhanced HIPC initiative, contained in the report of the Secretary-General on recent developments in the debt situation of developing countries (A/54/370). The list of heavily indebted poor countries should be reviewed to ensure consideration of all poor countries facing debt-servicing difficulties. The time-frame for implementation should be shortened to three years. Less restrictive eligibility criteria should be applied, inter alia by reducing the thresholds of debt-to-exports and debt-service-to-exports ratios. A ceiling should be set for the share of fiscal revenue allocated to external debt services and, if necessary, additional debt reduction should be provided in order to meet that benchmark in view of the fact that the requirement to allocate 25 per cent of fiscal revenue to external debt service placed an excessive burden on heavily indebted poor countries. The ODA debt of the heavily indebted poor countries should be cancelled and other official bilateral debt to those countries reduced by at least 80 per cent. Full cancellation of bilateral official debt should be considered for post-conflict countries, those affected by serious national disasters and those with very low social and human development indicators. Paris Club debt eligible for reductions should also include post-cutoff-date debt. The HIPC initiative should be fully funded through the sale of IMF gold, a new general allocation of special drawing rights (SDRs) and additional bilateral contributions to multilateral trust funds for debt relief. Lastly, steps should be taken to reverse the declining trend in ODA; aid funds for social and human development projects and poverty reduction should be adopted; and procedures should be established to ensure that debt relief was not provided at the expense of ODA.

Welcome as the enhanced HIPC initiative was, it was only the beginning of the difficult task of providing debt relief to all developing countries, many of which did not qualify for the initiative even though they were saddled with a heavy debt burden. Unless drastic action was taken, those countries would never be able to achieve growth and development.

Sir JEREMY GREENSTOCK (United Kingdom) said that the targets and strategy had been agreed upon by the international community following a series of international conferences held in the 1990s, and it was now a matter of using the partnership to produce a programme of implementation. As for debt relief, it would be measured for its success not by how much debt was cancelled but by how much poverty was reduced. There was a direct link between debt and poverty eradication. In discussing the means and instruments for reaching the agreed targets, the United Nations had to develop methods and attitudes which reflected a fundamentally new atmosphere in the Bretton Woods institutions; that atmosphere did not yet exist in the Member States. Member States, which operated on the basis of national interest, had to realize that they had shared interests in meeting economic growth and poverty eradication targets. Both donors and recipients had to see the business of development as the business of investment in a competitive market towards the goal of economic growth and poverty eradication. That joint realization was the basis of the partnership owned by the developing countries.

The real problem was represented by those countries which were in conflict or in a post-conflict phase and were consequently unable to compete for development assistance. They were in a different category from other recipients, and he wondered whether there was an agreed strategy for treating them in a different way.

Ms. BRIZUELA de AVILA (El Salvador) said that her Government’s new programme sought to facilitate access to basic services and had been drawn up after a long series of consultations with the 6 million people of the country. The Government was seeking to eradicate poverty through an employment strategy, promoting rural development, encouraging small businesses, promoting exports and attracting investment. The Government of El Salvador had greatly increased social expenditure. The biggest proportion of the budget went to education. New schools had been built and old ones replaced; grade repetition and drop-out rates had fallen. Teachers were contracted directly by communities, and children attending school received medical care. The Government of El Salvador was committed to improving efficiency in the use of resources and to reducing its own role to a regulatory one, with increasing implementation of programmes by the private sector. Post-conflict developing countries such as El Salvador needed financial support, and the most important practical contribution to helping them to finance their own economic growth through productive investment would be for the developed countries to open their markets to their products.

Mr. INSANALLY (Observer for Guyana), speaking on behalf of the Group of 77 and China, welcomed the emphasis placed by the Managing Director of IMF on the fact that it was the high quality of economic growth that was essential to poverty eradication. He asked about the Fund's conceptual approach to poverty eradication, specifically in terms of the roles of IMF, the World Bank, UNDP and member Governments. What was the role of each and at which stage was that role to be played? What was the current thinking of the Managing Director regarding the possibility of reaching the target of halving poverty by 2015 in view of the fact that only a few weeks ago he had expressed doubts that it could be achieved because of the current level of growth rates? As the representative of a country which had benefited from the HIPC debt initiative, he said that two problems arose from it: slow disbursement from donor countries, which resulted in the perpetuation of poverty, and the fact that although export earnings and debt repayment schedules were used as criteria, not enough account was taken of debt stock. Finally, he asked about the Fund's philosophical approach to development in the new and critical stage of poverty reduction. Was it examining its assessments and assumptions to see if they were still valid? Was it looking at its remedies to see if they were appropriate? How did it regard its participation in the financing for development process?

Mr. MUTABOBA (Rwanda), speaking as the representative of a post-conflict developing country, said that although debt sustainability was determined by IMF, he had the impression that most donors were concerned by the aid debt rather than the multilateral debt. In 1994 and 1995 Rwanda had sought money from donors in order to finance a debt repayment with the World Bank and IMF in order to be able to qualify for another debt; it was a situation that was very difficult for countries in need to understand. Since then, Rwanda had learned how to maintain a stable macroeconomic environment, achieving an inflation rate of only 2 per cent. He asked whether the Fund's Extended

Structural Adjustment Facility was going to be a prerequisite for qualification for debt cancellation. Three new terms had emerged following the Cologne debt initiative upon which he would welcome clarification: decision point, completion point and floating point. He wondered whether the highly indebted poor countries were correct in assuming that the Cologne summit had portrayed the Fund and the World Bank as having increased power to impose additional conditions regarding poverty reduction, good governance and sound policies. Undoubtedly the new vocabulary represented a positive change in IMF and the World Bank, which were now taking into account realities and the needs of people rather than perceptions. One very interesting new element in the thinking had been that of peace-building. What was IMF proposing to advance as a policy so as to ensure that peace-building really made a difference to people's lives?

Mr. BOJER (Denmark), noting that development cooperation partners would need to be instrumental in framing the Poverty Reduction Strategy Papers, asked whether the IMF envisaged a partnership role for the United Nations in helping them to do so. It was a task for which the United Nations, and especially UNDP, had certain advantages in terms of experience.

Mr. COLLINS (International Monetary Fund), replying to the observer for Guyana, said that the Fund was now looking at development in terms of poverty reduction/eradication. The notions were synonymous. As for the question from the representative of Denmark regarding a possible role for the United Nations in terms of assistance in framing Poverty Reduction Strategy Papers, he said that such assistance would certainly be welcomed and the United Nations should also join IMF and the World Bank in encouraging Governments to adopt the Papers, own them, believe in them and implement them. Although they had to be endorsed by the boards of the Fund and World Bank, they had to be produced on the initiative of the country concerned and to have included the participation of civil society. Poverty reduction strategies had to be set within a medium-term budget framework if they were going to work. The targets had to be specifically linked to resources, with macroeconomic and social policies properly integrated one with another. That of course required the provision of sound data, which was another area in which the United Nations could assist. One of the best ways in which the international community as a whole could help was by ensuring that all assistance efforts were designed and timed to coincide with the core governance systems of a country, namely, the budget cycle and the annual process of budget evaluation, review and approval by a legislature. In the case of countries which had a medium-term expenditure framework, Governments should be encouraged to discuss publicly the policies and priorities embodied in it, but irrespective of whether there was such a framework, international assistance in the formulation of the Poverty Reduction Strategy Papers should be managed by the domestic authorities of the country concerned, though with technical assistance in incorporating the Papers into the budget framework from the international organizations.

Mr. BARRO CHAMBRIER (International Monetary Fund) said that he represented 24 countries in sub-Saharan Africa which in the past five years had made considerable progress in terms of structural reform and macroeconomic stabilization. However, more had to be done to enhance economic growth rates and the quality of that economic growth, which had to be linked to poverty reduction. New criteria had been put forward by IMF and the World Bank that would provide greater flexibility so as to allow more countries to benefit from the initiative and to create the conditions for them to receive interim assistance, with the completion point coming at a stage that would enhance the efforts of the countries themselves to improve their economic growth rates. Dealing with the points raised by the representative of Rwanda, he noted that that country had achieved considerable progress despite the difficulty in mobilizing capacity. The IMF hoped to advance the process of helping Rwanda to reinforce both the peace process and its institutions. It was also critically important that the debt question be tackled: Rwanda was probably already eligible to benefit from the HIPC debt initiative, and it was very important as far as the Rwandan authorities were concerned that the completion point be reached as soon as possible and that the new resources were used for the social sector. Clearly, progress on the economic front in Rwanda would go hand in hand with the process of reconciliation and strengthening of institutions.

Mr. OYARZABAL (International Monetary Fund) said that the reference in the statement by the representative of El Salvador to ownership on the part of the State and of society as a whole reflected very important policy actions being taken in that country. She had referred to the Government's seeking and receiving popular support for its policies, and undoubtedly the difficult decisions it had taken had had political, economic and social costs. Many of the members of the Intergovernmental Group of 24 on International Monetary

Affairs had been advocating a participatory approach in terms of discussing what they could do for themselves and what could be requested from the international community. It represented a change of attitude, both in countries and in the international financial institutions, that should be acknowledged. The representative of El Salvador had also spoken very realistically of the need for markets in the industrialized countries to be open to the products of the developing countries. That plea should be heeded by the international community and action taken accordingly.

Mr. MIRAKHOR (International Monetary Fund), taking up a point raised by the representative of Rwanda, said that in the Fund none of the vocabulary to which he had referred was new. Twelve years ago the present Managing Director had said that the Fund had to concern itself with poverty and social programmes.

Mr. SEMAKULA-KIWANUKA (Observer for Uganda) welcomed the emphasis placed on sustainability of economic growth. In order to ensure that the greatest number of people benefited from poverty eradication initiatives, such initiatives should target rural infrastructure and the inhabitants of rural areas. Moreover, since the majority of women in poor countries and the bulk of the youth were in the informal sector, targeting and investing in that sector, where the greatest number of jobs were created, would be extremely beneficial. There was also a need to invest in democratic governance, human rights and the rule of law as the basis for political stability, without which it would be very difficult to fight against poverty.

Mr. MWAKAWAGO (Observer for the United Republic of Tanzania) asked whether the new conditionalities for participation in the HIPC initiative took into account the deadline of 2015 for halving poverty. Unfortunately, commodity prices, on which the economies of most least-developed countries were based, were declining at an alarming rate, and they did not generate enough liquidity to promote growth. Debt relief was therefore only a part of the equation, and not an answer to the whole problem of development assistance. The Fund should indicate how many of the 33 heavily indebted poor countries would have qualified under the terms of the HIPC initiative by 2015. He endorsed the emphasis placed by the observer for Uganda on the development of rural infrastructure.

Mr. DOS SANTOS (Mozambique) welcomed the Fund's new focus on poverty eradication and its expanded commitment to globally agreed targets that the international community had long been calling for. He wondered whether the three-year track record required under the HIPC initiative could not be reduced to a year or six months, since it had already been reduced from six to three years.

Ms. RIBEIRO VIOTTI (Brazil) wished to know how the Fund had set about reconciling its objectives of promoting sound macroeconomic growth with the need to reduce poverty.

Ms. LEONCE-CARRYL (Saint Lucia) said that the debate on poverty eradication should have focused more on eliminating its causes. In fact, the strong reform programmes of the Fund also caused poverty; greater transparency in the decision-making processes of the Bretton Woods institutions and the World Trade Organization (WTO), together with wider participation by all States, would make for more conducive growth and development. Moreover, it was regrettable that there were still no internationally negotiated agreements on targets in the financial, trade and monetary spheres, nor had the systemic imbalances and system of preferences, which prevented some States from gaining access to concessional financing, been addressed.

Mr. ALEMAN (Observer for Ecuador) welcomed the new emphasis by the funding agencies on support for social development programmes, since such programmes were intertwined with the stability of democratic Governments. Stressing the relationship between debt and poverty reduction, he drew attention to the problems of highly indebted middle-income countries, such as Ecuador. During the current year, his country would experience negative economic growth of -0.7 per cent. His Government had already devoted 80 per cent of its revenues to reimbursing its external debt and had been unable to pay its "social debt", namely, the salaries and wages of civil servants. He urged the international community and international funding agencies to devote the necessary attention to the problems of severely indebted middle-income countries.

Mr. EDOW (Observer for Kenya) wished to know what factors had contributed to the slow disbursement of funds under the HIPC initiative and urged the speeding up of the implementation of the debt reduction process. In his view, since many countries had formulated national strategic plans for poverty eradication on the basis of the decisions of the World Summit for Social Development, there was no need for them to go through that exercise again. He wondered whether conditionalities would not hamper the efforts of the Bretton Woods institutions to help developing countries attain sustainable development.

Mr. CABACTULAN (Observer for the Philippines) said that he did not understand why the debt relief already available should not become an important element in the poverty reduction strategy since, after all, debt was the main reason for poverty. He enquired about the status of the HIPC Trust Fund. Specifically, he wished to know how much of the US$ 2.6 billion required for the Fund's full implementation had been obligated. He also wondered how the floating point was determined and whether the heavily indebted poor countries concerned would be involved in the decision-making process in that regard.

Mr. BOOTE (International Monetary Fund) said that the decision point was the moment when the international community committed resources to the heavily indebted poor country concerned, generally after a track record of three years. From that point onwards, interim debt relief would be granted, provided that the boards of the Bank and Fund had so decided. The completion point was the time when the remainder of the assistance was disbursed unconditionally. Under the floating point, the completion point would be linked to key policies, including the adoption and implementation of poverty reduction strategies. Concerning disbursement, there was a good chance that three quarters of the countries concerned would be in the HIPC process by the end of 2000. Countries needed to have Extended Structural Adjustment Facility programmes to receive assistance under the HIPC initiative. While the aim of the Bretton Woods institutions was to help countries in their poverty alleviation efforts, countries had primary responsibility in that regard. As far as the HIPC Trust Fund was concerned, the numbers quoted did not reflect the way that the World Bank funded its own costs and those of other multilateral institutions. However, significant commitments had been made to the Trust Fund by the European Union, the United States of America and other industrial countries.

Mr. CAMDESSUS (Managing Director of the International Monetary Fund) said that the international community's objective of halving poverty by the year 2015 might not be attained unless growth was enhanced and poverty reduction was put at the heart of government strategies. That was why the Bretton Woods institutions were emphasizing the link between poverty and high-quality growth, which depended on better structural adjustment policies. All the foregoing was feasible, provided the international community joined forces and emphasized good governance. For its part, the Fund had institutionalized the need to work together and forge a partnership with the World Bank and the United Nations. It was trying to deal with four perverse dichotomies - between debt reduction and poverty alleviation; between social policies, poverty alleviation policies and macroeconomic policies; between macroeconomic policies and monetary policies; and between peace and development.

Post-conflict peace-building: approach to assistance and peace-building

Mr. WIBISONO (Indonesia), speaking as Vice-President of the Economic and Social Council, said that the hope for peace and stability that had been rekindled at the end of the Cold War had so far remained unfulfilled. The common underlying cause of many recent conflicts was despair born of deprivation, exclusion and poverty.

While it was true that development could not succeed without peaceful conditions, it was equally evident that peace and stability could not endure in the absence of development and shared prosperity. Peace and development were thus intertwined. To neglect one was to imperil the other. The concept of peace-building was based on the premise that the two were intimately interlinked and must be addressed simultaneously and comprehensively. Rebuilding the political and social institutions and laying the foundations for development to resume in war-torn societies were at the heart of the challenge of peace-building.

Societies emerging from conflict had needs that were not only large but that differed from those of peacetime societies. They called for a comprehensive and integrated effort that helped to create a stable political environment through reconciliation and institution-building, while at the same time providing emergency and humanitarian assistance, moving into rehabilitation, reconstruction and development in a smoothly dovetailed framework. In such situations, the United Nations system was indispensable to the re-establishment of social and economic conditions that went beyond the normal requirements of development assistance.

The United Nations was most often required to take the lead in such situations, but it could not succeed without the close and continuous cooperation of other key partners in the system, in particular the Bretton Woods institutions. Such enhanced collaboration must encompass all phases of post-conflict peace-building from planning through emergency relief, rehabilitation and reconstruction, flowing into longer term development, once peace had been consolidated.

The question that needed to be addressed was how to strengthen that partnership and move forward with flexibility and speed while respecting the mandates and competencies of the respective institutions.

Ms. HAPPE (International Monetary Fund) said that providing adequate assistance to post-conflict countries was an important concern for the Fund. Its primary role in those situations was to help the country concerned to re-establish macroeconomic stability and rebuild the institutional capability to implement economic policies. To that end, the Fund was ready to provide advice and technical assistance, and when appropriate, financial assistance. In those efforts, the Fund's involvement was part of a coordinated international effort, where an institution other than the Fund normally took the lead.

Since 1995, the policy on emergency assistance had been the major vehicle for the provision of early Fund financial assistance to post-conflict countries. The aim was to help those countries move as soon as possible to a programme that could be supported by a regular Fund arrangement, which in most cases would be under the concessional facility for low-income countries, which was being transformed into the Poverty Reduction and Growth Facility. Since many of those countries were also heavily indebted, they might be eligible at some point for assistance under the HIPC initiative.

Recognizing the special difficulties faced by those countries, that often had large protracted overdue loans to the Fund and to other multilateral organizations, the IMF Executive Board had agreed in April 1999 to take those countries' special circumstances into account in the implementation of the Fund's arrears strategy. To be effective, the Fund's efforts to help post-conflict countries needed to be part of a strengthened effort by the international community as a whole to maintain peace and assist in the orderly transition from conflict to conditions conducive to stabilization, growth and development.

Mr. KOUWENAAR (International Monetary Fund), describing the Fund's involvement in Rwanda, said that from 1994 to 1996, IMF had focused on emergency humanitarian assistance, while from 1996 until the present, it had focused on assistance for structural adjustment. Thus from 1994 to 1996, IMF assistance as part of a concerted international effort had concentrated on providing the following: technical assistance in rebuilding the main economic institutions and financial management capacity; economic policy advice to assist the Government in achieving its goals of a rapid macroeconomic stabilization; close coordination with donors so as to incorporate aid commitments into a consistent macroeconomic framework; and financial assistance under the Compensatory and Contingency Financing Facility in mid-1995. In 1997, Rwanda had begun to move from emergency aid to a full fledged IMF-supported programme. However, in late 1997, it had faced another emergency situation with the repatriation of one and a half million Rwandan refugees. Rwanda’s good policy performance under the post-conflict assistance had laid the basis for support under the Fund’s Extended Structural Adjustment Facility in mid-1998.

The socio-economic programme had continued to take into account the post-conflict situation by emphasizing strengthening capacity-building efforts; focusing on improving the level and efficiency of social spending and the monitoring of social outcomes; stressing the need for the Government to reduce the burden of defence expenditure, consistent with Rwanda’s security needs; introducing flexibility into the programme design, in particular with regard to government spending and fiscal deficit targets, and the phasing of reforms so as to take into account the huge rehabilitation needs; and emphasizing close coordination between the Government and donors on all forms of assistance to avoid duplication and ensure that donor funding and expenditure allocations were consistent with government objectives.

Overall, Rwanda had made good progress in the transition from a post-conflict situation to a path of sustained growth, and its track record in recent years should help it to qualify for debt relief under the enhanced HIPC initiative. Economic recovery since the conflict had been rapid, while there had been improvements in social indicators. On the other hand, progress in national reconciliation had fallen short of expectations. The Government’s determination and clear strategy regarding macroeconomic stability and economic liberalization, the concerted efforts of the international community, and massive aid flows which had amounted to 25 to 35 per cent of pre-war GDP each year since 1994, had all contributed to that favourable outcome.

However, factors that might have slowed down Rwanda’s progress included slow capacity-building, the low share of budgetary support and high defence spending, which reduced not only domestic resources available for other purposes, but also the amount of bilateral aid. Finally, donor concerns about limited progress in national reconciliation made the question of the distribution of the benefits from government policies, in particular the targeting of social spending and other poverty reduction programmes, more relevant.

Mr. BARRO CHAMBRIER (International Monetary Fund) said that the case of Rwanda was a good illustration of how the United Nations, IMF and other institutions could work together. As the Managing Director had emphasized, the Fund needed peace to be restored in a country before it became involved in the field. It was important to understand the roots of conflicts, and there was no doubt that good economic policies and governance were likely to foster a sustainable peace. The international community should also emphasize the prevention and control of arms sales; it was an area in which much remained to be done. Priority spending had to be on social needs and the rural infrastructure. The Fund's catalytic role had to be strengthened. The international financial institutions had to adopt an innovative approach to post-conflict countries that were in arrears. It was also important for the international community to strengthen its efforts in respect of those countries, but it was critical for their Governments to demonstrate determination and have a clear strategy for economic growth and national reconciliation.

Mr. PRIEDKALNS (Latvia) said that he was pleased that the day's dialogue had dealt not only with strategies, but also with implementation. However, there were issues which required further debate.

First, the fact that the United Nations must remain impartial could preclude a close partnership between Governments and United Nations agencies in situations which required action of that the Government would not approve. That fact severely limited the Secretary-General's ability to delegate tasks to United Nations agencies. The problem was a delicate one which involved the issues of sovereignty and donor intervention.

Second, in the case of the heavily indebted poor countries, it was sometimes necessary to relax the conditions normally imposed by lending institutions. Adequate funding could promote the transition to democracy in fragile economies and should not be denied where Governments were making good-faith reconciliation efforts. One example of that approach was the case of Haiti. In its resolution 1212 (1998), the Security Council had invited the

Economic and Social Council to contribute to the designing of a long-term program of support for that country's economic rehabilitation and reconstruction. The fact that the Council had done so signalled the beginning of a new era in its active involvement in poverty alleviation and the betterment of life for all mankind.

Mr. SHARMA (India), speaking as Chairman of the Ad Hoc Open-ended Working Group on Financing for Development, said that the Working Group had prepared a set of recommendations on the scope, agenda and nature of the high-level international intergovernmental forum on financing for development to be held in 2001. Those recommendations included the involvement of the trade, finance, development and foreign affairs ministries of Member States.

The PRESIDENT said that the meeting had been a highly productive one and that the international community could alleviate poverty if it had the political will to do so.

The meeting rose at 6.40 p.m.