United Nations A/AC.257/23

General Assembly

Distr.: General
16 April 2001
English
Original: English/French

Preparatory Committee for the International Conference on Financing for Development
Third session
2-8 May and a full week in October/November 2001
Item 2 of the provisional agenda*
Review of the inputs to the substantive preparatory process and the International Conference on Financing for Development

Compilation of initiatives or themes submitted by Governments

Note by the Secretary-General

In its resolution 55/245, the General Assembly invited Governments to submit to the financing for development coordinating secretariat, not later than 15 April 2001, a concise identification of possible initiatives or themes, which could serve as a means to further focus the substantive preparatory work, within the framework of its substantive agenda, on the understanding that a compilation of such submissions should be made available to the Preparatory Committee for the International Conference on Financing for Development at its third session. A compilation of the corresponding submissions from member and observer delegations, in order of date of receipt by the secretariat, is set out below.

* A/AC.257/21.

01-33725 (E) 300401 020501

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1. Israel
28 March 2001

Israel sincerely wishes to see next year's high-level event yield positive and constructive results. My country has participated in recent special sessions of the General Assembly in the area of economic and social affairs, such as on social development in Geneva and on women at Beijing in New York. Each of those sessions contained much debate and produced a lengthy outcome document or plan of action which, impressive and obligatory as they may be, amount to little more than a language exercise.

It is our position, therefore, that while certain reforms are indeed extremely important for advancing the process of financing for development, whether they be good governance reforms on the national level or reforms in the management and transparency of international financing institutions, the one reform that we have yet to address is the reform of the modalities of preparation for this high-level event. It is imperative that this reform will be addressed before moving on to the next Committee session.

Israel believes that there are three main principles which should guide us in preparing for the high-level event:

(a) No lengthy outcome documents: we don't need another plan of action or declaration, with hundreds of paragraphs and commitments that will again serve only as a reference book for future summits;

(b) No days and weeks of endless drafting: we cannot afford to spend endless hours and days on drafting exercises;

(c) No demarche of speeches by heads of state, whereby leaders come, make their statements for the record and leave, while few, if any, even listen.

In this regard, a number of proposals which Israel believes will greatly contribute to the success of the high-level event are set out below.

Proposals

1. Outsourcing

The General Assembly should outsource the preparations for the high-level event to the private sector. The subcontractor would organize the main working groups and panels, ensuring the active participation of the private sector and civil society. Participation of the private sector, we believe, is the key to the success of the summit. ODA and other means of providing aid, much of which is actually spent within donor countries, should not be the focal point of the conference. Rather, we should focus on how to attract the private sector and long-term sustainable investment, and for that we need experts who have the knowledge and the ability to bring them to the conference and its preparatory sessions.

2. Working groups

The summit should operate through six working groups, corresponding to the six main headings in the Secretary-General's report. Each working group should include experts in finance, representatives from the private sector, the United Nations Secretariat, international financial institutions and relevant agencies, and representatives of the Member States.

3. Six project proposals

At its third session, the Committee should already be working within the framework of the six working groups. The working groups should suggest a limited number of projects that are specific and realistic, prepare proposals for the projects and make suggestions for necessary reforms in each of the six elements. We should avoid producing documents that are lengthy and inconclusive, and instead aim to produce six separate documents prepared by each working group that are brief and substantive.

4. Event reform

Regarding the event itself, Israel suggests that the opening ceremony, with the participation of heads of state, be limited to one speech from each regional group and the major international financing institutions. In lieu of endless speeches, each head of delegation would participate in one of the six working groups in order to discuss and authorize the projects and the proposals made by the group. In the closing session, delegations would formally combine the proposals made by each working group, which would serve as the outcome document.

5. Chapeau paper

Through the high-level event, an ad hoc committee of the whole should discuss and draft a chapeau paper, in which the Committee would define the general objectives of the summit in the spirit of the introduction made by the Secretary-General in his report. Side events, with the participation of experts on financing, the private sector and other relevant actors, could contribute to the formation of formal and informal long-term contacts between the participants.

A new approach to preparing this event, using new elements and dimensions, is the only way to get substantive and realistic results from the summit. All of us, but especially the developing countries, are in desperate need of such results. What is not needed is another plan of action or outcome document which, rather than articulating a vision for development, would serve merely as reference books for the next summit.

2. The former Yugoslav Republic of Macedonia
29 March 2001

To achieve the main goals of the financing for development process, the reform of the United Nations is essential. All principle organs of the Organization should be subject to the reform process. The reform of the General Assembly and the Economic and Social Council is of particular importance. The General Assembly should work all year round and should adopt new arrangements for its work. Its Second Committee should address all issues of the financial and development process continuously, all year round.

The current relevance and effectiveness of the Economic and Social Council is very much hampered because of its large membership. It is important that its membership be reduced to 25 or 26 members. The Council should work all year round, as an executive and principal organ of our Organization, for the promotion of international, economic and social cooperation. It should function in a similar fashion to the Security Council.

3. Bhutan
3 April 2001

With reference to paragraph 4 of General Assembly resolution 55/245, concerning the adoption of the agenda and organization of work and high-level international intergovernmental consideration of financing for development, the Permanent Mission of the Kingdom of Bhutan would like to propose the following “possible initiatives or themes” for consideration during the preparatory process for the forthcoming International Conference on Financing for Development:

(a) ODA and concessional financing for development projects and programmes as they relate to paragraph 19 of the Millennium Declaration (General Assembly resolution 55/2), in which the Millennium Summit resolved to halve the proportion of the world’s people whose income is less than one dollar a day and who suffer from hunger. This applies specifically to those projects and programmes that are not amenable or feasible to be financed by foreign direct investment or commercial loans, which could give rise to unserviceable debt burdens;

(b) ODA and concessional financing for development in the context of improving and/or creating appropriate and basic infrastructure — road network, telephone system, other vital communications networks — in the least developed and seriously geographically handicapped countries (landlocked and island developing countries).This applies specifically to those projects and programmes that are not amenable or feasible to be financed by foreign direct investments or commercial loans, which could unnecessarily result in unserviceable debt burdens;

(c) ODA and concessional financing for development in the context of ensuring the provision of free, accessible and universal primary and basic education to enhance literacy for all children between the ages of 6 and 15 years of age;

(d) ODA and concessional financing for development in the context of the provision of basic health facilities for women, children and those in abject poverty conditions;

(e) ODA and concessional financing for development relating to environmental protection and reversing environmental pollution in rivers, lakes and coastal areas.

4. Kyrgyzstan
6 April 2001

The Government of the Kyrgyz Republic proposes the following amendments to the final document of the International Conference on Financing for Development:

(a) Under section II, "International private flows":

(i) Revise paragraph 2 to read:

"Foreign direct investment can be an effective instrument to help fill the savings/investment gap in many developing countries, countries with economics in transition, **including mountainous countries**";

(ii) Add a new paragraph 8 to read:

"**It is recommended that international organizations and the private sector strengthen their cooperation with mountainous countries in order to support projects for the construction, modernization and maintenance of transport and communication infrastructure in mountainous regions**".

(b) Under section III, "Trade", insert the following sentence in paragraph 3:

"**The international organizations and donors should pay special attention to the unique development needs of mountainous countries concerning the diversification of their exports, including the need to expand technical assistance and cooperation**".

5. Switzerland
12 April 2001

Financing global public goods (GPGs)

Within cluster 4, "Increasing international financial cooperation for development through, inter alia, ODA", the issue of how GPGs can and/or should be financed is, at this stage of the Committee's work, an extremely important question to go further into and is likely to be the most promising avenue to take. The international community has already developed and established a number of mechanisms for cost-sharing GPGs, such as harmonized, coordinated infrastructure for transport and communication purposes, or over-flying charges to be paid by airlines. A number of new modalities for financing GPGs have already been experimented on, such as the Global Environment Facility, the Clean Development Mechanism and the Global Alliance for Vaccines and Immunization. New types of GPGs, such as "global disease control" or "global carbon sequestration" are emerging, which require new delivery and financing arrangements. Also, some countries have already adopted or are studying new resource mobilization approaches for systematic financing of GPGs as well as ODA. We therefore suggest that at its third session the Committee, within cluster 4, focus as a priority on the financing of GPGs. In our view it would be desirable to further study various practices already existing and to debate a number of issues, such as:

(a) What are the lessons to be learned from some of the GPG financing arrangements put in place to date?

(b) Could any of these arrangements provide us with clues to devising financing arrangements for some of the currently under-provided, under-financed GPGs?

(c) What is the experience gained by various countries in terms of mobilizing and allocating additional funding for GPG purposes?

(d) How can one assess whether self-provisioning is inferior to international cooperation through GPGs?

(e) Where and how do ODA modalities and GPG modalities differ and/or overlap?

(f) What are the links between aid/aid effectiveness and GPG provision?

(g) In respect to which GPGs would it be important and desirable to explore on a priority basis new financing modalities?

(h) Should public financing for GPGs be used as a catalyst and incentive for private contributions to GPGs?

Mobilizing private sector resources

As summarized by the joint statement of the Co-Chairmen at the conclusion of the second substantive session of the Committee, it is obvious that international private flows can make important contributions to development, and that foreign direct investment can be an effective instrument to help fill the savings/investment gap in many developing countries and countries with economies in transition. Two main challenges in this respect, both for developing and developed countries, are to generally encourage greater flows of beneficial private investment into developing countries and countries with economies in transition (**volume**), especially through the development and continuous amelioration of new and innovative financial instruments, and to direct these private financial flows to developing countries and countries with economies in transition, regions or sectors that do not yet benefit from such flows or are particularly dependent on external assistance (**distribution**).

Clearly, capital is first made at home, but official development assistance (ODA) can play an important role in addressing these challenges by complementing (but not replacing) other financial flows and promoting private investments, local or international. Therefore, Switzerland has introduced several instruments that focus on using ODA as a leverage to mobilize private capital as part of its strategy for promoting investment in developing and emerging countries. The aim is to support countries which, over the past few years, have made an effort to combat inflation, reduce their budget deficit, privatize large areas of the economy and make their countries more attractive to local and outside investment, but where such investment is not yet forthcoming owing to persistent risk. It is mainly by sharing that risk with the private sector, but also by improving awareness of business opportunities in those countries, that Switzerland is trying to encourage collaboration between companies in Switzerland (and our neighbouring countries) and those in developing and emerging nations. Measures have been designed to meet the needs of investors at the different stages of implementation of a project, from the first draft to its completion, such as feasibility studies or pilot trials at the preparatory stage. The Swiss Organization for Facilitating Investments helps investors to find foreign partners and negotiate a joint venture agreement (or other form of partnership) once projects have been drawn up. The Swiss Development Finance Corporation or one of 19 partnership funds or venture capital funds may be a source of funding when a project's realization stage has been reached.

Many bilateral and multilateral agencies have introduced similar financial instruments in order to mobilize private sector resources for development. We thus believe it is timely and adequate to assess the experiences made with those instruments, exchange views and share best practices. Therefore, we strongly suggest that this aspect of the financing for development agenda take a prominent place in the preparations for the forthcoming Conference.

Debt and debt relief

The issue of debt has received wide coverage in the preparatory process so far. Treatment in the report of the Secretary-General to the Committee was extensive, and the discussion during the second substantive session was active. In what follows, some points are raised that have not yet received due emphasis and that may serve to guide further discussion.

We all welcome the progress reached so far in implementing debt relief for the poorest countries since mid-1999. Their debt ratios should drop substantially over the next few years, and further implementation of the HIPC initiative should lead to debt levels last witnessed in the 1970s. Looking forward, one important question is how the debt levels of the countries that have already been granted assistance under the HIPC initiative can be kept at sustainable levels over the long term. Another open issue is how to integrate countries into the HIPC framework that are affected by or emerging from conflict. Some of these countries have accumulated substantial external arrears, including to international financial institutions. Finally, there is the issue of middle-income country debt.

In addressing the issue of long-term sustainability, we believe it will be important not to restrict our focus on percentages of debt ratios alone. We should concentrate on the overall perspectives for HIPCs. These mainly depend on the prospects for sustainable growth. Low rates of growth over the past decades are as much the cause as the consequence of the current rates of indebtedness. The increase of social expenditure levels, on which the enhanced HIPC initiative lays considerable weight, is undoubtedly important for creating a sound basis for economic and social development and reducing poverty, the primary goals of the HIPC initiative. However, both poverty reduction and long-term external sustainability also depend on the prospects for broad-based growth and the reduction of disparities. Discussion of the outlook for HIPCs should thus focus on the conditions for growth: how can macroeconomic and institutional environments favourable to private domestic investment and the inflow of foreign funds be created? What kind of technical and financial assistance from the international community is necessary to achieve this? And how can the export sectors of these countries be diversified, with an end to, inter alia, increasing their resilience to external shocks?

Current efforts to relieve the debt of low-income countries cannot be broadened without a clear strategy designed to include conflict-affected countries. Discussion on such strategies to bring post-conflict countries back to the development community would thus be valuable. They should include the questions of when and how financial assistance, including debt relief, should be granted to conflict-affected countries; how debt relief can be integrated into a framework of assistance by the international community as a whole; what the primary focus of such assistance should be; what the role of the international financial institutions should be; and under what circumstances these institutions should let bilateral and humanitarian agencies take the lead.

Discussion on external debt in general, including the indebtedness of middle-income countries, could concentrate on the implications of debt repudiation and relief for the prospects of enhanced capital market access, and on the question of how capital flows to LDCs and MICs can be gradually directed away from bank mediated and other forms of debt finance towards more equity finance and direct investment. This would enhance risk-sharing among developing and developed countries, would increase the allocative efficiency of investment and would imply a lesser need for international liquidity in the case of financial crises. Debate on these issues are largely lacking, although debt creating external finance has played a central role both in the debt crisis of the 1980s and the financial crises of the 1990s.

6. Sweden (on behalf of the European Union)
12 April 2001

Several of the issues proposed below (marked with an asterisk (*)) are cross-cutting. Taking the Secretary-General’s report as a point of departure and building on the EU general objectives for the financing for development process presented at the second session of the Committee, as well as on the fruitful substantive discussions held there, as reflected in the joint statement of the Co-Chairmen, the proposed themes presented below are suggestions for themes that in the view of the EU merit further discussion. These themes do not necessarily reflect EU priority areas as such. The themes represent important objectives for the financing for development process, in line with the overall goal of achieving a more effective mobilization of the resources needed to finance international development targets. Poverty eradication through sustainable growth and economic and social development of benefit to all must be the overarching goal of all development efforts.

It is important to ensure that the work and result of the Third United Nations Conference on the Least Developed Countries as well as of other relevant ongoing processes, such as the special session of the General Assembly on HIV/AIDS and the preparations for the 10-year review process of UNCED, serve as a constructive input into the financing for development process.

References to the recommendations in the report of the Secretary-General made in the text below do not imply that these recommendations are endorsed by the EU but rather that they are relevant to the substance of the proposed themes and therefore merit further consideration. The EU advocates a partnership approach, leading to commitments by developed and developing countries to undertake complementary actions to enhance the mobilization of resources for development.

Chapter I

1. Enabling environment*

During the Committee session in February, the point was repeatedly made that the concept of an enabling environment could relate to both the domestic and international environment. Linking these dimensions may take the concept of an enabling environment further in the financing for development process.

Effective mobilization of domestic resources, as well as of international private flows, requires a favourable enabling environment. One of the pillars of an enabling environment is good governance, where concrete steps for further action need to be identified. Good governance, according to article 9 of the Cotonou agreement signed by all 77 ACP countries and the EU, implies a political and institutional environment that upholds human rights, democratic principles, the rule of law, and the transparent and accountable management of human, natural, economic and financial resources. One important issue in this context is combating corruption, which is dealt with separately below. Other areas are steps to strengthen the participation of civil society, and sound and sustainable management of human and natural resources.

Another pillar of an enabling domestic environment is a sound macroeconomic framework, including, for example, sound budget priorities for health, education and agriculture/food security, and transparent and accountable public expenditure management and an efficient tax system. An issue where a deeper discussion on substance can be envisaged is financial sector reforms. What reforms are needed to facilitate a pro-business environment? Mechanisms for increased saving and improved tax administrations could be starting points.

Interlinked with efficient domestic financial markets are well functioning international financial markets. The ongoing work on enhanced international codes and standards for financial surveillance should, for example, be further developed to include a wider participation and ownership from more countries.

Recommendations 20, 22, 24, 25, 31, and 32 in the report of the Secretary-General could be considered in relation to this theme.

2. Corruption*

Ending corruption is fundamental for mobilizing domestic resources, and increased direct and indirect measures are required, including increased transparency, in both government and private sector activities. Fighting corruption is one of the main priorities of the development agenda and this has been a strong message from a wide spectrum of countries.

Corruption leads to inefficiency or unproductive rent-seeking activities on the markets. In essence, corruption counteracts everything that relates to an enabling environment and is thus a key obstacle for generating resources.

Our understanding of corruption needs to be widened to include corruption in both the private sector and public sector, in the North as well as in the South. The EU is willing to take strong measures against corruption, including in our own countries and markets.

The EU welcomes a comprehensive discussion on a strengthened international framework against corruption, and recalls the decision by the General Assembly to start the elaboration of an effective international legal instrument that takes into account existing international conventions. Important steps have already been made within the United Nations, such as the global compact, and at the regional level, such as the OECD Convention on Combating Bribery, but this work could be both broadened and deepened.

Recommendation 26 in the report of the Secretary-General could be considered in relation to this theme.

Chapter II

1. How to expand international private flows, FDI and other private flows, to a much larger number of developing countries, i.e., how can the poorest countries attract increased international private flows, what triggers these flows, and how to maximize their development impact?

The objective is to deepen the understanding of how developing countries, in particular the poorest, may be able to attract increased international private flows, identify the factors triggering these flows and the obstacles to them. Interlinkages to other areas under discussion in the financing for development process also need to be identified.

Sub-items

- The role of export credit and guarantee authorities and corresponding bodies at the multilateral level, for instance MIGA, as well as private sector bodies of the multilateral development banks, such as IFC, FIAS and other relevant bodies, in stimulating and triggering increased flows to developing countries.
- The role of technical cooperation to improve the absorptive capacity of developing countries, including capacity-building and institution-building, especially in the financial sector.
- The role of developing countries in establishing or enhancing favourable conditions for a sustainable enabling environment for both domestic and international investments, including improving the legal, economic and social environment for investment.
- Ways and means to reduce and reverse capital flight.
- Ways to increase the contribution of investments to pro-poor development.
- The role of conflict prevention.

International private flows, FDI in particular, have a critical role to play in the mobilization of financing for development. In addition to bringing capital to a country, FDI can be beneficial for development by promoting transfer of knowledge, increasing competition, creating employment opportunities etc. Today, FDI for developing countries is heavily skewed towards a small number of countries and sectors. However, substantial flows already reach some of the poorer developing countries. FDI remains important in these countries when measured in relation to GDP and domestic savings. The financing for development preparatory process should analyse the triggering factors behind steady and/or increasing FDI flows to these countries, and the obstacles in other countries. Such problems as conflict, corruption and mismanagement need to be tackled. The Conference should also focus on how more developing countries can attract and stimulate FDI and mobilize other private resources. International guarantees, investment protection agreements and double taxation agreements and other measures in developed countries can act as incentives and make investment decisions easier.

Consideration of recommendations 48, 49, 51, 52, 57 and 59 in the report of the Secretary-General could be fruitful in relation to this theme.

In this context, the future investment facility of the Cotonou Treaty between the EU and the ACP countries provides an interesting example.

There is also a need to ensure that investments contribute specifically to pro-poor development and social progress, including rights in the workplace.

Armed conflicts within as well as between countries have a very negative impact on inward investment flows. Aspects of conflict resolution and prevention should be emphasized in the discussion on foreign investment flows.

2. How to highlight the potential and create incentives for an increasing number of public-private partnerships for investment

Enhancing the catalysing role of ODA in leveraging private sector resources for development should be a key objective for financing for development. Today, there is a lack of long-term finance in the form of loans and risk capital, in particular, for investments in private infrastructure in developing countries, for example, in sub-Saharan Africa. There is a need for both the public and private sectors together to explore ways and means to pool resources in partnership in areas and sectors where public resources can leverage private investments in an effective way. Public-private partnership for investment in infrastructure, such as the UNDP-coordinated public-private partnership for the urban environment and the multi-donor funded public-private infrastructure advisory facility, provide concrete examples of initiatives that might be taken in this respect.

The financing for development process could add value to existing efforts by addressing critical constraints on both sides to the full effectiveness of public-private partnerships. There is a need to raise awareness among and commitment by donors to the innovative mechanisms. At the same time, developing countries have a responsibility to put in place the appropriate enabling environment (enabling legislation, regulatory arrangements and utilities structures conducive to private sector investment) to maximize the gains from public-private partnerships. Consideration of recommendation 55 in the report of the Secretary-General could be fruitful in relation to this initiative.

Other areas of potential public-private partnerships that need further discussion are in the context of the ongoing initiatives regarding the proposals for action to tackle communicable diseases and in support of the millennium action plan for Africa and the related global compact with Africa.

3. How can the administrative procedures be simplified in countries that seek to attract foreign direct investment?

One important barrier for development, in the context of the financing for development process, is the low level of foreign investment in the poorer developing countries. Many developing countries have by now liberalized and reformed their investment regimes. Foreign direct investment are in most cases driven by private companies that are profit maximizing and cost minimizing. In many countries, administrative systems are often complicated and counter-productive. To a certain extent, such barriers are unnecessary and may give rise to unnecessary costs to investing firms. It is highly probable that more investors would be willing to carry out their investment if time-consuming and costly administrative procedures could be limited or simplified. Possible measures could be the following:

- Help Governments to design a more open investment regime and establish and structure an investment authority;
- Development of an investment promotion strategy, investment promotion organization and a targeted promotion plan;
- Identify and address administrative barriers and constraints in the tax system to investments at the national and municipal level;
- Create investment agencies that focus on promotion rather than regulation;
- Development cooperation partners could assist in activities to upgrade information systems, train staff, and help government improve corporate tax and incentive structures, and rationalize the legal framework governing investment;
- Harmonization of business law could represent an interesting tool in order to enhance efficiency in attracting private capital flows to developing countries, especially countries with small and fragmented markets, such as the Organisation pour l'harmonisation du droit des affaires en Afrique initiative, implemented with the help of UNDP.

4. Engaging the private sector in development*

FDI and private capital flows may help strengthen the contribution of the private sector to achieving the IDTs, particularly given the increasing importance of private flows to many developing countries and the need to further widen those flows to others, particularly least developed countries and sub-Saharan Africa. The private sector is also an important partner because of its different and complementary expertise and flexibility of action. Modalities to benefit from private sector expertise on matters relating to FDI trends and flows, the attractiveness as locations for FDI and the optimal role of the private sector in the PRSP process should be examined. The February Committee session revealed a possible consensus on the mobilization of domestic resources and FDI flows and the linkages between domestic and international enabling environments. The operationalization of the recommendations in the report of the Secretary-General, in particular, should be considered. Recommendations 39, 48, 49, 53, 56 and 60 of the report could be fruitful in relation to this theme.

Chapter III

Trade is an important lever of economic growth, which is necessary for development and poverty eradication. The financing for development process should consider how trade leads to resource mobilization and contributes to growth and development, with a particular focus on the necessary coherence between trade and other policies. Therefore, the following themes are suggested for further discussion: "Enhancing trade opportunities for growth" and "Realizing the development benefits of trade".

1. Trade opportunities

Enhanced market access for developing countries is essential. Preferential market access is recognized in the multilateral trading system and is central to our trade and development policies. The EU decision to grant duty-free and quota-free access to all exports (except arms) originating in least developed countries is the prime example, which we hope will help create a move towards further improved market access for these countries. In parallel, there is a need to look at improvements to preferential schemes for all beneficiaries to enhance the utilization rates.

The multilateral trading system is the central instrument in further integrating developing countries in the global economy and enhancing market access opportunities. WTO is based on the principles of non-discrimination, proportionality, transparency and rule of law, and provides predictability and stability for market access conditions, as well as special and differential treatment for developing countries. This helps create an environment conducive to trade, but also to investment.

A new round of multilateral trade negotiations would be the best — if not the only — way to bring further significant market opening in sectors of interest to all trading partners in a balanced manner, and to address adequately the interests of developing countries. In addition to market access, rules in such areas as trade facilitation, investment and competition would be beneficial to developing countries, and would help enhance the growth and development impact of trade liberalization.

Regional integration can constitute a step towards integration in the global economy. Regional trade agreements can help make liberalization work by enhancing the credibility and transparency of policy reforms. Membership of regional trade blocks can generate benefits for developing countries, including securing markets for exports, encouraging infrastructure development and exchanging expertise. Regional integration can help attract investment for development, by increasing export opportunities and the stability of the market. Trade relations can have a stabilizing effect politically.

Consideration of recommendation 70 of the report of the Secretary-General could be fruitful in relation to this theme.

2. Enhancing the development benefits of trade

Open economies grow faster than closed economies, and trade and investment liberalization bring potential for significant levels of growth and development. The degree of benefit accruing from trade and investment liberalization is varying. Identifying factors that help realize the development benefits of trade is an important objective of the financing for development process. Elements for consideration include:

(a) Assistance for countries' efforts to participate effectively and stay informed in the multilateral trading system through trade-related technical assistance. Effective assistance requires coordination among donors and cooperation between donors and recipients for demand-driven and well-targeted assistance, in synergy with domestic policy efforts and multilateral trade policy;

(b) Capacity-building to help countries make use of the opportunities granted by enhanced market access and investment liberalization. This should address supply-side restraints in the areas of human resources, infrastructure and technical capacities, including helping countries meet standards and requirements in export markets;

(c) Enhanced coherence in global economic policy-making to ensure consistency and synergy between trade, economic and financial policies for an enabling international environment. This would imply consideration of how to best address the need for support for structural reform and flanking policies in this context. The need to incorporate and mainstream trade issues in nationally owned poverty reduction strategies should be emphasized;

(d) Enhanced coherence in domestic policies by developing and developed countries. This would aim to ensure consistency and synergy between polices, such as development, economic and trade policies, and seek to establish domestic environments conducive to development, trade, investment and economic growth. It is important that trade policies be an integral part of nationally owned poverty reduction strategies. Principles of good governance, such as the rule of law, transparency, accountability, predictability and stability, are essential, nationally as well as internationally;

(e) A multilateral framework of rules in WTO on investment, competition and trade facilitation would benefit development. A framework of investment rules that ensure non-discrimination, transparency and predictability could help to attract increased levels of FDI, an important element of financing for development. A framework of competition rules that supports domestic enforcement helps to ensure a better allocation of resources by circumventing anti-competitive practices. Trade facilitation helps to cut costs by enhancing trade efficiency;

(f) Making better use of the trade-investment synergy. Open and stable economies with policy frameworks that are linked in multilateral or regional trade policy schemes are more likely to attract investment. Higher levels of investment in productive industries help improve the export performance. Enhancing the development impact of trade requires coherence and a better linkage with other issues of the financing for development process, in particular those related to the domestic environment and to investment — foreign as well as domestic.

Consideration of recommendation 68 of the report of the Secretary-General could be fruitful in relation to this theme.

Chapter IV

1. Enhancing the effectiveness of official development assistance

Financing for development is an appropriate forum for an initiative to enhance the effective use of development assistance, through the development of comprehensive poverty reduction strategies by developing countries and matching commitments from donors for coordinated and harmonized support. The report of the Secretary-General and contributions at the February Committee session by many developed and developing countries show that the elements of a consensus on aid effectiveness already exist. By bringing together these elements, the financing for development process could help accelerate progress already being made towards optimal use of development resources.

A more effective use of deployment of development assistance resources by donors in support of country owned poverty reduction strategies requires:

- A commitment by developing countries to develop comprehensive poverty reduction strategies, based on a sound enabling environment for development. Elements could include appropriate regulation of the financial sector, anti-corruption measures, sound investment laws etc;
- A commitment by donors to focus resources on developing countries where there are a large number of poor people, which have poverty reduction strategies in place and have taken steps to put in place a sound enabling environment.

Donors would also commit themselves to expediting ongoing work to simplify and harmonize operational policies and procedures; increasing flexibility in delivery and disbursements systems; providing capacity-building and institution-building support to enable greater provision of support, using partner government systems; using common diagnostic and programming tools as far as possible; and increasing the stability and predictability of financing for social and economic development.[1]

The United Nations and its funds, programmes and specialized agencies need to simplify and harmonize their own operational procedures, including through the broadening and enhancing of such initiatives as UNDAF and common services. These initiatives also need to be better coordinated with corresponding initiatives of the IFIs, including regional IFIs. Consideration of recommendations 89, 96, 98, 99 and 102 of the report of the Secretary-General could be fruitful in relation to this initiative's possible donor commitments and many in chapter I in relation to developing country commitments.

2. Ownership: What does it mean and how is it done? What is the role of different stakeholders, such as civil society organizations?

In order for development cooperation to be as effective as possible, it is important for the whole society, men and women, to be engaged in the formulation and execution of a nationally owned poverty reduction strategy. This includes the Government and its bodies, the private sector and representatives for the civil society. Both the private sector and civil society are important partners in the development process, and their role needs to be strengthened. They hold information and knowledge

[1] Other issues raised by the European Union in the interactive dialogue held during the second session of the Committee may be added at a later date, after further consultations within the European Union.

that Governments lack, and enjoy the channels and skills when it comes to certain types of delivery mechanisms.

The PRSP and UNDAF are key instruments for achieving a locally owned and participatory development process at the country level. These coordination processes should to the largest extent possible be led by the recipient country. Corresponding strategies at the regional and bilateral levels should also be taken into account. The EU has recently concluded the Cotonou agreement with the ACP countries, which is a prime example of a comprehensive development strategy at the regional level.

Recommendations 89, 96, 98 and 99 in the report of the Secretary-General could be considered.

3. What are the best ways to support regional cooperation? What role can ODA play?*

Regional cooperation may prove to be a solution in many areas for developing countries. The main challenge is to eliminate obstacles, such as conflict and inadequate infrastructure, to such cooperation. Equally challenging is to identify areas where synergies can be found between countries and best practices. What role can ODA play to further regional cooperation, and what role do and can regional and subregional organizations play?

4. Global and regional public goods (GPG and RPG)*

An important challenge that the financing for development process must address is how the international community shall meet the growing demands for the production and protection of global and regional public goods (GPGs and RPGs). All countries, both their public and private sectors, should take responsibility for addressing this issue adequately and build capacity to meet these needs. It will be important to identify resources for their financing, including in cooperation with the private sector. There is a need to further discuss this whole issue, and agree on a more systematic and clear definition of global and regional public goods. Many GPGs and RPGs are particularly important for the developing world. The results of the upcoming discussion on GPGs in the Development Committee, meeting at the end of April, should be taken into account in the further discussion of this theme. Recommendations 109, 110, and 111 in the report of the Secretary-General could be considered in relation to this theme.

5. Innovative sources and mechanisms for financing sustainable development*

This is an interesting and important subject that needs to be further explored. Advantages and disadvantages, applicability and realism of various forms of innovative sources and mechanisms for financing should be analysed. Recommendation 113 in the report of the Secretary-General could be considered.

6. Capacity-building*

Capacity-building is relevant in most areas of the agenda. Priority areas for capacity-building in the financing for development process should be identified. Such areas could be the strengthening of the capacity to mobilize domestic and international resources, including FDI, to build capacity in the least developed countries to benefit from the opening of markets, to enable them to participate in the international trading system, and to strengthen the administrative capacity of least developed countries to effectively handle and manage development resources. For example, recommendations 24, 32, 43, and paragraph 65 of the report of the Secretary-General may be relevant to consider in relation to this cross-cutting theme.

Chapter V

Debt sustainability

There is scope in the financing for development process to discuss measures to strengthen the effective implementation of HIPC II to ensure that debt relief is used to eradicate poverty, help maintain debt sustainability and ensure that the poorest countries avoid accumulating unsustainable debt overhangs in the future.

Measures to discuss could be improvements to debt management capacity-building and effective national mechanisms for determining new borrowing; better ways to handle domestic and external shocks; and improved lending by creditors. Consideration of recommendations 120 and 126 could be relevant to this initiative.

Chapter VI

1. How to enhance coherence, coordination and cooperation among all relevant actors in the development effort at the national and international level; at the policy/normative and operational level*

An integrated approach to development, including consistency in policy-making, drawing upon synergies of different policy areas and comparative advantages of different actors, leading to an effective mobilization of financing for development from both public and private sources, is crucial for achieving the international development targets. This will require enhanced coherence, coordination and cooperation among all relevant actors at the national and international levels, and at the policy/normative and operational levels. It will also require increased cooperation with civil society and the private sector in the development effort.

(a) Coherence, coordination and cooperation at the policy/normative level

There is a need to enhance coherence, coordination and cooperation in norm-setting and policy formulation in finance/monetary, trade and development related areas at the national and international levels, between all relevant actors, in order to maximize the effective use of financing for development, including enhancing the complementarity of various sources of financing and synergy of various policies. This will require the operationalization **by all relevant actors** of common policy goals set out in the international development targets and the Millennium Declaration agreed to by all United Nations Member States, and, when possible, common country approaches and strategies based on developing countries' national priorities and development plans, including strategies for sustainable development. While respecting the different mandates of the international institutions, this must be the common platform for further action.

At the national level, this will require ministries/government agencies and central banks responsible for different international and regional organizations and involved in their norm-setting/policy-making to become more coordinated and to increase coherence among themselves when discussing and deciding on such common goals and approaches in the governing bodies of the United Nations, IFIs and other international and regional organizations. It will also require the identification of interlinkages between policy-making in different areas and modalities for dealing with this; increased awareness of governance structures and policy-setting mechanisms of international organizations; the identification and coordination of common national policy approaches taken by each country in international/regional organizations; and the identification of the norm-setting role of each international organization, such as the Economic and Social Council and existing mechanisms for implementation, without interfering with the mandates and governance structures of each organization. Equally, it requires closer coordination and cooperation between international/regional organizations to enhance complementarity and synergies, ensure the effective functioning of the international system, and avoid overlapping and duplication of tasks.

(b) Coherence, coordination and cooperation at the operational level

Evidently, efforts at the policy/normative level to increase coherence, coordination and cooperation need to be matched by corresponding efforts at the operational level when implementing policies and country strategies. This will contribute to a more effective use of resources, including both public and private resources, a decrease in transaction costs, increased ownership by recipient countries of the development process, improved planning and foresight, and increased stability and predictability of development efforts. Ongoing coordination processes of development efforts, such as CDF/PRSP and UNDAF/CCA, are promising but need to be more transparent and better coordinated not only with themselves but also with efforts in other areas, such as trade. Strategies and programmes formulated at the regional (e.g., regional development banks) and bilateral levels, should also be taken into account.

To ensure effectiveness in the use of resources, the coordination processes should, to the largest extent possible, be led by the recipient country and should clearly consider local conditions. Ultimately, the recipient country should only have to deal with one single development approach — its own. The financing for development process can contribute to raising the awareness of the importance of a systemic approach to the development efforts at both the policy and operational levels.

(c) Increased cooperation with civil society and the private sector

There is a need to identify ways to increase cooperation and transparency of development efforts of all actors, including civil society and the private sector. It requires the identification of ways of interaction and cooperation with and participation of civil society and the private sector in the development efforts both at the operational and the policy levels and at the national and international levels.

7. Saint Lucia
12 April 2001

1. Reinstatement of the United Nations Transnational Corporations Unit (TNC)

Transnational corporations are playing an increasing role in the global economy, with global operation and global influence. Most TNCs are more financially powerful than countries and regions. There should be a global intergovernmental discussion and agreement on social responsibility and accountability of TNCs. The Secretary-General has initiated cooperation with the private sector and has an obligation to monitor and assess these corporations and provide members with information so that informed decisions can be made, taking into account risks and benefits of a partnership with the private sector.

2. Reinstatement of the appointment of a senior economist in the Office of the Secretary-General to advise the Secretary-General on economic matters

Given the fast pace of globalization, trade liberalization and technology advancement, with the consequent marginalization of most developing countries, this appointment is imperative.

3. Establish an appropriate institutional arrangement between the United Nations and WTO at both Secretariat and intergovernmental levels, including annual high-level consultations in the Economic and Social Council similar to those held with the Bretton Woods institutions

Trade is the most important vehicle for generating long-term, reliable resources for development for developing countries. WTO regulates world trade with rules and agreements that often do not address development needs and constraints of States, nor does its decision-making structure allow for all countries to contribute to decisions that significantly affect their trade and development. It is necessary that the United Nations actively pursue relations with WTO so that the latter can take account of development concerns of States and formulate and implement trade rules consistent with their development objectives.

4. The United Nations to promote binding special and differential treatment and technical assistance for developing countries, in particular, structurally weak and vulnerable groups, such as small island developing States and least developed countries

These specific provisions are necessary preconditions to enable these States to develop, become competitive and benefit from globalization. This is the Marshall Plan needed for developing countries to allow them to integrate into the global economy.

5. Establishment of mechanisms with adequate financing to address commodity price stability

Unfavourable terms of trade is one of the most crippling factors affecting the development of developing countries.

6. Establishment of global tax forum to discuss tax matters

OECD is unilaterally imposing tax policies on other countries, interfering in the sovereign rights of States to set their own tax policies. The United Nations has an obligation to provide a forum for its weak members against the coercion and manipulation of the stronger, particularly when this interference threatens the economic survival of Member States not under the jurisdiction of OECD.

7. **The establishment of an annual high-level development dialogue in the General Assembly to assess the global economy and progress in implementation of the outcome of the International Conference on Financing for Development**

8. **On organizational matters: a two-tier process throughout the preparatory process and the Conference, allowing for inputs from the private sector, civil society and institutional stakeholders distinct from the intergovernmental decision-making process of the General Assembly**

8. Czech Republic
13 April 2001

1. Financing for development requires peace and a development-friendly environment

It is widely recognized that private investors like security, transparency and the rule of law, and do not come to a country in conflict, war or disarray. Failures in good governance cause injustice, conflicts and wars. Conflict situations trigger destructive behaviour, further erosion of rule of law, lack of public finance and a low level of public goods, which minimizes development opportunities. Thus, peace and sound governance are fundamental for development.

However, what are the intrinsic parameters of a conducive environment that promotes development? What legal and regulatory frameworks attract FDI? What environment and incentives mobilize domestic resources and trigger the inception of small and medium-sized private domestic enterprises? What institutional and knowledge capacities can produce desired quality of public services and public goods?

There are partial answers to various of these challenges. Over the decades, international organizations have accumulated enormous knowledge and expertise within their particular mandates. What they should focus on now is how to sort out the existing knowledge and experience and specify the desired features of development-friendly environment. On the basis of lessons learned and best practices achieved in various countries in the world, an effort should be made to design a “model of conducive environment for development” (or more models for various types of countries or different stages of development). The model(s) should embrace characteristics of good governance, effective macroeconomic policies, trade policies, and microeconomic or structural, social and other relevant policies in their inter-linkages, as well as other necessary preconditions for development.

While developing such model(s), various standards and codes could be produced, which could be used as a voluntary tool for setting goals and evaluating outcomes or development strategies and specific policies. The model(s) would serve as a knowledge source of coherent policy recommendations. Specific policy advice provided by individual international organizations within their mandate should then be consistent with and complementary to the models. The voluntary nature of the models, codes and standards would avoid conditionality of international development assistance.

However, the formulation of each individual country’s poverty reduction and development strategy, potentially covering the full range of policies relevant to poverty reduction and development, must be a prerogative, as well as full ownership of such a strategy by a respective developing or transition country.

2. Responsibility of each country for its development

Each country is responsible for its development, while international cooperation provides technical assistance and financial resources in support of development. International cooperation should strengthen national ownership and should not undermine the national development objectives of any country. Although these statements are widely recognized, many related questions arise.

How do countries handle their responsibilities? Do they set their poverty reduction or development goals? Do they formulate their own poverty reduction or development strategies? Are United Nations goals reflected in those strategies? How participatory are the strategy-designing and policy-making processes? How should the recommendations of international organizations support national development needs and goals? Are mechanisms to ensure policy coherence in place at the national and international levels?

In our view, a country's development potential depends on many things, such as:

(a) The ability of a country to develop a strong commitment for peace, political stability and development: willingness of society to establish and maintain the rule of law, enhance democracy, prevent or settle conflicts etc.;

(b) The ability to establish and continuously enhance sound governance, such as by:

(i) Promoting democracy and empowerment of people;

(ii) Introducing consistent legal system and regulation frameworks to balance contending interests;

(iii) Strong law enforcement to minimize illegal practices in both the public and private sectors;

(iv) Introducing an enabling environment for the private sector and ensuring a free market and competition;

(v) Providing transparent and accountable public services, including public finance;

(vi) Providing equal access to public resources, information, education and health care;

(c) The formulation of a nationally owned comprehensive poverty reduction and development strategy:

(i) The poverty reduction and development strategy should set nationally agreed goals for poverty reduction, economic and social sustainable development and develop all specific policies for achieving the agreed goals; the goals should reflect country's needs and correspond to United Nations development goals;

(ii) The strategy needs to cover a wide range of governmental responsibilities, from an enabling environment for the private sector (appropriate national policies are needed for foreign direct investment as well as for domestic enterprises) to good governance and provision of public goods, including education, health care and social safety nets;

(iii) The strategy should establish linkages between fiscal, monetary and exchange-rate policies, and structural adjustment, diversification or regional development policies, as well as trade liberalization, decentralization policies, social policies etc.;

(iv) The strategy must be formulated in a participatory manner (governmental authorities of all relevant sectors, academia, business and labour, civil society), in collaboration with relevant international organizations and donors.

3. Mobilization of finance for implementation of development strategy

ODA should be result-oriented and accountable. In particular:

(a) Participatory formulation of the nationally owned strategy should lead to a bigger engagement of different stakeholders, and could help to mobilize different financial resources for implementation of the strategy for public finance as well as private resources, both domestically and internationally;

(b) The extraordinary potential of FDI could have a significant impact on development, particularly when combined with adequate domestic private resources and sound public finance;

(c) FDI and domestic private sector should apply a more development-friendly approach and practices of good corporate citizenship;

(d) ODA should focus on the implementation of each country's poverty reduction and development strategy and provide complementary resources;

(e) ODA should be provided on the basis of a results-based evaluation (of the strategy, past achievements, existing development-related environment) and not on conditionality;

(f) ODA should be much bigger in volume (commitment of 0.7 per cent GDP should be met) but genuinely transparent and accountable, result-oriented, efficient;

(g) ODA should not lead to unsustainable debt.

4. Building human and institutional capacities: use of ICT in governance and education

As a response to the real danger that the world's poor will be excluded from the knowledge-based global economy, the public sector at the national as well as international levels should pay priority attention to wide dissemination of ICT and mobilization of all available resources and partnerships. The enormous potential of ICT offers an unprecedented opportunity to overcome existing gaps more rapidly since, inter alia,

(a) ICT opens access to accumulated knowledge, information and data;

(b) ICT enables new ways of education and professional training;

(c) Use of ICT can promote democracy and empower people, and enable inclusion and wider participation in decision-making processes;

(d) ICT can enhance governance by making public services more transparent and accountable, and more citizen-friendly;

(e) ICT may help to make development assistance more visible, transparent and accountable by public monitoring of implementation.

Further consideration should be given to ways and means of utilizing ICT as a major strategic tool for investments into human potential and institutional capacity-building in developing countries and countries with economies in transition, especially by establishing public-private partnerships.

9. Fiji (on behalf of small island developing States members of the Pacific Group) 13 April 2001

The small island developing States that are members of the Pacific Group and are represented in New York continue to accord the highest priority to the vital importance of the financing for development process to their future sustainable socio-economic development in this era of rapid globalization and trade liberalization. As has been well documented, these economies, and small island developing States in general, are chiefly characterized by their vulnerability to exogenous factors, both economic and environmental, that adversely erodes and limits potential opportunities for their development. This is further compounded by their smallness, narrow resource base and geographical remoteness, which open their economies to the vagaries of global forces, moreover inhibiting their desire to participate in the global economic and trading systems.

Against this background, the Pacific Group of small island developing States reiterates and reaffirms its support to the financing for development preparatory process. Moreover, the Group is confident that the process will lead to meaningful outcomes that address the respective development needs of all developing economies, thereby effectively contributing to the attainment of the Millennium Summit international development goals.

The Group has therefore identified the issues set out below as constituting its priority needs.

There is a need for universal recognition of the vulnerable socio-economic situations of small island developing States. The Bretton Woods institutions (World Bank, IMF), WTO and the United Nations should harmonize and coordinate their categorization of countries.

The criteria for determining financial and technical assistances for capacity-building and institutional strengthening should be directly linked to countries' geographical situations and vulnerable positions in the world economy.

The selective continuity of preferential market access in the short to medium term is a key issue. Trade is the most important mechanism for most if not all small island developing States to expand domestic savings and finance their various development processes especially because they seriously lack comparative advantages and economies of scale, being vulnerable and dependent on a small number of export commodities, predominantly agriculture, light manufacturing and underdeveloped service-based sectors, to drive much-needed foreign exchange earnings, employment and development.

Furthermore, market access takes many forms and shapes. While there is no disagreement about the general thrust of current trends as posing major obstacles to the expansion of all developing countries exports, it is a "double-edged sword" to the Group. In this context, it is of the firm view that the complete elimination of trade barriers and full liberalization of markets will only result in social dislocations that have far-reaching effects in their various small island developing States-Pacific economies.

Adequate and appropriate time frames should be put in place to mitigate adjustment costs as well as facilitate diversifications of potential growth sectors. It is well established that adjustment and diversification come at great cost to societies and are very painful if not appropriately dealt with.

Relevant trade rules should be reconsidered through negotiations. For example, transition periods in the relevant WTO agreements should be extended and made accommodative for such purposes. Special and differential treatments (SDTs) should be made operational and meaningful by tagging them to sectors of specific interest. They must go beyond the "best-endeavour approach". Standards and technical issues need to be applied fairly, especially in areas related to the sanitary-phytosanitary (SPS) measures. A "development box" should be included in the Agreement on Agriculture to incorporate issues that facilitate the diversification of the agriculture sector and take account of natural calamities, agriculture being the dominant sector in most of our economies.

It is important to recognize the important role of ODA as complementary to private investment as well as addressing institutional incapacities, weak human resource base and high costs of infrastructure in the group. Therefore, it reiterates the urgency of increasing ODA volume and flow to balance member countries' current and future growth and development equations. In addition, ODA should be targeted for specific purposes, such as capacity-building and institutional strengthening of both public and private sectors. Lack of these much-needed flows can only compound (if not seriously aggravate) the already vulnerable positions of Pacific small island developing States.

It is important to recognize the crucial roles of bilateral and multilateral donors, such as regional banks (e.g., Asian Development Bank) to foster development. Any commitment that does not address their weak institutional capacities will deny Pacific small island developing States the right to gain from the opportunities offered by globalization.

Debt relief measures should not be differentiated by region or subregion but should be based on the needs and merits of individual countries and Member States. The issue of debt is always a sensitive one because of the degree of influence it has on the sustainable economic growth and development path of small island developing States economies. Therefore, it will require a substantial refocus of attention, in terms of corrective policy prescriptions and resources, in order to rescue highly indebted countries from the vicious cycle of debt.

10. United States of America
13 April 2001

Paragraph four of the resolution adopted by the Committee on 23 February 2001 invites Member States to provide their views to the coordinating secretariat to further focus the preparatory discussions. The United States wishes to outline the following themes which, we believe, are of fundamental importance to this international development effort.

Focus on how to use resources effectively

The substantive preparatory process has so far mainly focused on where to find the resources for development, with little or no attention to the question of how to use them effectively. The United States suggests that the Committee give this question appropriate attention and emphasis in its future work.

Fundamental importance of domestic resources

At the last session of the Committee, Member States stressed the primary and indispensable role of domestic resources in financing for development. Many delegations and stakeholders expressed the view that an enabling domestic environment is vital not only in mobilizing domestic resources but also in attracting and effectively using international investment and assistance. This convergence of views, we believe, represents an important agreement that should serve as the point of departure for the Committee's future work.

We believe that the mobilization and utilization of resources, particularly of domestic resources, merit the Committee's further examination. Such discussions are necessary to achieve a concrete, pragmatic and action-oriented outcome, which Member States desire and which the Secretary-General also articulated in a letter to President Bush dated 12 February 2001.

Steps to mobilize resources

We believe an enabling domestic environment is the first and necessary step towards effective mobilization and use of development resources. Good governance, effective domestic institutions, the rule of law and sound economic policies are the sine qua non of an enabling environment. We believe discussions of the following issues in this framework will lead to wider consensus and bear fruits.

A. Combating corruption

At the last Committee session, this subject generated much interest, and a consensus emerged to continue the discussion. Corruption is the antithesis to good governance. We welcome the opportunity to deepen the discussion in the preparatory work as well as at the Conference.

B. Strengthening public finance

An effective and efficient system for mobilizing resources and managing their use by Governments is essential. We believe that the Conference would benefit from a discussion of the following issues:

- Capacity-building and technical assistance for public fiduciary management, including enhanced disclosure standards and practices in budget processes, auditing, financial management and procurement;
- Effective public finance and administration of basic social services, including education and health;
- An equitable and efficient tax system, which is a crucial part of an enabling environment and fundamental to public fiscal health.

C. Fostering private sector initiative

Private enterprise is another crucial part of an enabling environment. Government policies should foster private sector development, particularly the development of a functioning financial sector to encourage private savings and investment. We believe that the following issues are ripe for discussion at the Conference:

- Pro-competition regulatory regimes and regulations, including the prudential supervision of financial institutions;
- Innovative development financing mechanisms, including availability and access to microcredit;
- Harmonization of codes and standards, and compliance with internationally agreed financial standards and best practices;
- Private capital flows for financing development, particularly facilitating foreign direct investment;
- Capacity-building and technical assistance.

D. Promoting trade

Trade has become an increasingly important element of national and international development efforts. We believe discussions of the following issues will help countries to take better advantage of international trade:

- Policies to facilitate trade and attract investment;
- Regional cooperation and integration for expansion of global trade;
- Economic and social changes brought about by trade and trade liberalization;
- Capacity-building and technical assistance.

E. Effective international cooperation

International assistance can support national commitments, complement national resources, and leverage the effective use of resources mobilized. In this regard, the Conference could benefit from the discussions of the following:

- Coordination among and between donors and recipients for effective use of resources;
- Greater involvement of recipient countries' people in programme design and implementation;
- Greater involvement of business and civil society in development efforts;
- Greater focus on capacity-building.

F. Role of the United Nations, the Bretton Woods institutions and WTO

The dialogue among these institutions has been constructive and fruitful in the financing for development process. The United Nations has benefited from the expertise of the Bretton Woods institutions; we encourage these institutions to continue their cooperation with the United Nations. However, attempts to interfere in these institutions' mandates, governance and decision-making processes would irreparably damage their abilities to provide the necessary assistance to developing countries.

11. Samoa (on behalf of the Alliance of Small Island States)
13 April 2001

The views of the Alliance of Small Island States (AOSIS) are generally reflected within the submission of the Group of 77 and China. AOSIS associates itself with these expressed views, and takes this opportunity to reiterate the issues of specific concern to small island developing States (SIDS).

Within the existing international economic environment, small island developing States face peculiar challenges. Among the many constraints are small and narrow resource bases that do not allow for economies of scale; limited market access; fragile natural environments and vulnerability to natural disasters; and high costs of energy, infrastructure, transportation and communication. Small island developing States need to build their technology capacity through science and technology transfer and the enhancement of information and communication technologies.

The particular vulnerability of small island developing States to exogenous environmental and economic events impedes their opportunities for development. Their structural weakness constrains their competitiveness and ability to participate effectively in the international economic and trading system, while the process of globalization compounds the risks of their marginalization. Furthermore, these factors also limit the prospects of these countries' ability to attract foreign direct investment and other international private flows.

The International Conference on Financing for Development should focus on the needs of **all** developing countries. AOSIS comprises a group of small island developing States that includes least developed countries and middle-income developing countries. Some of their needs are:

- Continued access to official development assistance, particularly for access to social investment;
- Concessional financing arrangements;
- Reduction of debt servicing and debt stock;
- Access to private capital flows;
- Establishment of a normative and legal framework for the conduct of foreign investors;
- Improved access to markets and improved terms of trade for developing countries;
- There is a need for a harmonization of the framework used by international trade, development and financial institutions for assessing small island developing States that takes into account their vulnerabilities and special needs;
- Small island developing States will continue to require selected preferential market access in the short to medium term. Adequate time frames are necessary to allow for the adjustment to free market conditions and to facilitate diversification of potential growth sectors;
- Consideration should be given to the establishment of an international fund to stabilize commodity export prices to compensate for loss of export earnings due to major fluctuation in commodity prices;
- Special and differential treatment should be made operational and meaningful by tagging it to sectors of specific interest to developing countries;
- Small island developing States need financial and technical assistance to support their efforts to strengthen their institutional capacity and human resource base, particularly with a view to building capacity for effective participation in trade negotiations and for implementation of trade agreements;
- The sanitary-phytosanitary and subsidies and countervailing measures agreements need to take into consideration the special needs of small island developing States. Consideration should be given to the revision of the WTO rules with a view to granting greater flexibility of subsidies for developing countries;

- The Agreement on Agriculture should be amended to take into consideration small island developing States need for waiver of obligation under the agreement whenever agricultural production is severely damaged by natural disasters, given the vulnerability of small island developing States to natural disasters;
- There is an urgent need for consideration of a comprehensive set of measures to address the issues of debt management, debt servicing and debt reduction in developing countries for heavily indebted low and middle-income countries;
- The particular vulnerabilities of small island developing States are of special concern. These considerations must be taken into account in the review of their capacity to meet and manage debt obligations;
- Where heavily indebted developing countries are concerned, there is a tendency towards risk aversion among private capital investors and a general lack of availability of such flows. The HIPC initiative should be enhanced and expanded to include middle-income developing countries. It should be made more flexible and adequate resources should be provided for its financing;
- There is a need to establish a more participatory, transparent consultative process between developing countries and the relevant financial institutions and rating agencies;
- There is a need to examine the scope for participation of small States in the decision-making processes of the international financial institutions. As far as is possible, international financial institutions should take a regional approach in dealing with development issues. Such a framework could facilitate self-regulation and self-responsibility, as well as economies of scale, in implementing programmes;
- International financial and development institutions should strengthen their monitoring mechanisms for performance evaluation of the implementation of assistance programmes for developing countries;
- There is a need for an inclusive global forum to promote and enhance cooperation between national tax authorities on international tax policy and investment matters in a balanced and equitable way. Such a forum would enable developing countries to participate in the dialogue and decision-making process on questions of international tax policy and investment, and would take into account differences in size and level of development of countries;
- There is a need for a transparent and participatory international mechanism for the implementation of global standards of regulation, operation and best practices in international tax matters that negates the influence of regional or special interest groups of countries;
- International financial institutions and credit-rating agencies should devise more holistic and relevant credit ranking systems that would induce investors to make more appropriate assessments of the true risk-return scenario in small island developing States;
- Greater effort is required on the part of donor countries to meet the international commitments of 0.7 per cent of GNP for ODA. At the same time, donors should commit themselves to avoiding any further reductions in ODA;
- Donor countries should commit themselves to achieving their ODA targets within a specified time frame, preferably by the year 2010;
- More predictable ODA flows should serve as important leverage for the mobilization of private resources through support for capacity-building, human resource development and the strengthening of the domestic enabling environment.

12. Islamic Republic of Iran (on behalf of the Group of 77 and China)
14 April 2001

Principles appear in bold type, each marked by an asterisk; bulleted items under each principle represent necessary initiatives for the realization of that principle.

Mobilizing domestic financial resources for development

***Domestic resource mobilization to be undertaken in accordance with the policies and instrumentalities of national Governments**

- Ensure country ownership in designing and implementation of structural adjustment programmes.
- Donor community should be fully responsive to the national policies and priorities of developing countries.
- Requisite technical capacities to be established, with the support of the international community, so as to equip countries to implement those international standards and codes, which have been endorsed by national Governments.

***In their endeavours to enhance domestic resources, national Governments, bearing in mind their own specific circumstances, would promote higher domestic saving-investment ratios**

- Efficient tax systems.
- Efficient fiscal management.
- Study ways and means to put in place safety net mechanisms to deal with the adverse effects of external shocks, including through international assistance.
- Establish/strengthen institutional structures for planning and implementation of macroeconomic policies.
- Situation in least developed countries, small island developing States, landlocked developing countries and other vulnerable economies is more difficult due to inherent economic problems of poor resource base, low productivity and lack of financial institutions.

***Major developed countries, while formulating their macroeconomic policies, should bear in mind the significant influence that their economies exert on the stability of the global economy, and the resultant repercussions on the economies of developing countries and their capacity to mobilize domestic resources**

- Multilateral surveillance should be symmetrical and also cover developed countries.
- Major developed countries to minimize abrupt changes in interest rates and exchange rates.

***Domestic policies require a supportive international environment since external factors have a critical impact on capacity for mobilization of domestic resources in developing countries**

- Enhancing international macroeconomic stability through open, rule-based, fair, non-discriminatory and predictable financial and trading regimes.
- Enhancing participation of developing countries in international economic decision-making processes.
- Promoting FDI flows to long-term developmental projects through incentives.
- Regulatory mechanisms for capital flows, particularly short-term capital, to reduce volatility of capital flows.
- Addressing issues of external debt problems of developing countries.
- Fulfilling agreed target of 0.7 per cent of GNP of developed countries for ODA.
- Capacity-building.
- Transfer of technology.
- Good corporate governance rules/mechanisms for transnational corporations.
- Put in place, under the auspices of the United Nations, international instruments for combating corruption and the elimination of money-laundering and illegal transactions in the international financial service sectors, as well as

the repatriation of illegally transferred funds to the countries of origin.

Mobilizing international resources for development: foreign direct investment and other private flows

***Facilitating long-term private flows**

- Strengthen business facilitation services and framework.
- Strengthen and broaden participation in the decision-making process of the Multilateral Investment Guarantee Agency (MIGA) against non-commercial risk.
- Promoting public-private partnership through bilateral, regional and multilateral agencies working in the areas of investment guarantee and finance.
- Measures to increase and enable ODA to leverage long-term private flows, without substituting one for the other.
- Explore measures to facilitate, increase and improve access by developing countries to international capital markets and export credits.

***Short-term capital flows**

- Study the introduction of a currency transaction tax.
- Consider measures to address the impact of volatility of short-term capital flows.
- Promoting shared responsibility in provision of social safety nets.

***Expanding the spread of FDI**

- Increase and facilitate information flows on investment opportunities in developing countries, particularly in Africa, least developed countries, small island developing States, landlocked developing countries, transit developing countries and other developing countries.
- Enhance social infrastructure of developing countries for developing physical infrastructure as well as accessing and utilizing international capital markets.
- Ensure that sovereign risk assessments of developing countries by the international and banking institutions and rating agencies are based on objective and transparent criteria.

***Enhancing the development impact of investments**

- Encourage investment in new areas and joint venture investments in support of productive sectors and development objectives of developing countries.
- Assessment by the United Nations of the developmental impact of investments in the following areas — transfer of technology, creation of local employment, enhanced market access and capacity-building.
- Formulation of rules for ensuring good corporate governance including social and environmental responsibility and accountability for investors.

***Capacity-building**

- Introduce measures to enhance the capacity of developing countries to attract a greater share of global foreign direct investment.
- Assist developing countries with capacity-building, particularly in the areas of human resource development and institutional strengthening, including through science, technology and ICT.

Trade

***The multilateral trade system should be open, fair, equitable, predictable, non-discriminatory, transparent, rule-based and development-oriented, and must contribute to the fulfilment of the right to development of all States, particularly developing countries**

- There must be a fast track within the WTO processes for the consideration and implementation of issues of major concern of developing countries, and the special provisions of the Uruguay round agreements in favour of developing countries must be expeditiously and fairly implemented.

- Correction of the current imbalances in the international trade regimes and disciplines that impair the development of developing countries.
- Expansion and binding of special and differential treatment, market access and technical assistance, including the transfer of technology and institutional and human capacity-building.

***The free, secure and predictable market access for agriculture and textile products and other goods and services of particular interest to developing countries in order to promote their sustained development and economic growth and the achievement of international development goals, including poverty eradication**

- Fast-track removal of tariff peaks, tariff escalation and non-tariff barriers, including in the areas where developing countries enjoy comparative advantages, and full and fast-track integration of the textile, clothing and agricultural sectors in the multilateral trade system, while taking into consideration the particular situation of net food-importing developing countries.
- Improved market access for the export of services by developing countries, particularly of labour-intensive services, and better trade conditions, stability and predictability for the movement of natural persons for commercial purposes, mode 4.
- Effective international disciplines and surveillance on anti-dumping and countervailing duties.
- Better and transparent multilateral disciplines related to sanitary, phytosanitary, technical and quality standards.

***The full economic integration of developing countries in the global economy requires more aggressive and effective measures by the international community to overcome supply-side constraints and improve trade infrastructure in developing countries, particularly taking into account the special needs of Africa, the least developed countries, small island developing States, landlocked developing countries, transit developing countries and other developing countries**

- Substantial technical and financial support by the multilateral and regional development banks and the donor community to strengthen national capacities, including technological, human, entrepreneurial and infrastructure capacity of developing countries; make possible food self-reliance; and develop knowledge, skills and local capabilities in the areas of sanitary, phytosanitary and technical international regulations; creation of a global, fully-funded programme to assist developing countries in removing supply-side constraints and improve trade infrastructure.
- Proactive measures to promote and facilitate private/public investment in physical, communication and energy infrastructure.

***Trade liberalization in developing countries improves resource allocation, efficiency and competitiveness in the economy but also entails heavy adjustment costs, in terms of reduction of employment, output and fiscal revenues, and might contribute to macroeconomic instability due to balance of payments disequilibrium. In this regard, trade liberalization in developing countries must be well tailored and coordinated with national economic and social objectives in order to enhance its chances of becoming a source for economic growth and development**

- Adequate financial support to meet the heavy adjustment cost in the fiscal, economic and social sectors.
- Binding provisions that allow appropriate time frames for the implementation of existing and possible future WTO agreements; adequate assistance for human and institutional capacity-building and transfer of technology; and space for appropriate development policies to build up competitive supply capacity to meet market access opportunities.

***Trade liberalization must be complemented with stronger measures to diversify and expand the export and productive capacity in developing countries in order to accelerate their economic growth and reduce their external vulnerability, which arises particularly from commodity price instability**

- The multilateral development banks should spearhead the development of a major programme to assist developing countries in diversifying their export base in terms both of the product mix and market destination.

- The establishment of a new global facility — international safety net — to help developing countries in coping with persistent terms of trade decline and commodity price instability.
- Export credit mechanism for developing countries to offset the existing unbalanced conditions of access to international financing.
- Export and marketing promotion measures put in place jointly by import and export countries.

***Renewed international development cooperation, based on sustained and high economic growth, financial stability, social equity and poverty eradication in developing countries, should comprise special provisions to deal with the special needs of Africa, the least developed countries, small island developing States, landlocked developing countries, transit developing countries and other developing countries**

- Bound, duty-free, non-tariff barriers-free and quota-free access for developing countries by developed countries for all goods and services.
- Strengthen human, regulatory and institutional capacities, as well as the capacity to engage in negotiations on trade, finance, technology transfer and related areas.
- Substantial financial support to the integrated framework to effectively support beneficiary countries and its enlargement beyond the least developed countries.
- Appropriate measures, including actions by the World Bank, IMF and WTO, to facilitate the full participation of least developed countries, landlocked developing countries and small island developing States in the global economy.

***The international trade, monetary and financial systems are mutually reinforcing, and as a consequence there must be consistency and coherence between them in support of development. Due to its universality and strong political and moral commitment to peace and development, the United Nations must play a central role in the management of global economic integration and in the promotion of an open and democratic policy dialogue to ensure good governance at the international level**

- Macroeconomic coordination between the major world economies, as well as at the regional level, to secure stable exchange and interest rates.
- WTO should concentrate on matters intrinsically related to trade, while the "and" issues that arise from the relationship of trade with other economic areas must be treated within the proper international forums.
- While dealing with trade matters, WTO should take into account and evolve ways and means of addressing the developmental impact of its decisions on developing countries.
- Full transparency and participation of developing countries in the informal decision-making process of WTO.
- Acceleration of the process of accession to WTO of developing countries.
- Strengthen the capabilities of the United Nations, particularly the General Assembly and UNCTAD, in international trade matters.
- Establish an institutional arrangement between the United Nations and WTO, and between the United Nations, WTO and the Bretton Woods institutions, to strengthen consultation and coordination, at the intergovernmental and secretariat levels, of development issues, as well as in regard to at the intergovernmental level, participation of Member and observer States of the United Nations.
- Support for regional arrangements and mechanisms to expand trade and improve financial stability.
- Explore potential links between the international trading system and debt relief, particularly to

improve trade and productive capacity of developing countries.

Increasing international financial cooperation for development through, inter alia, official development assistance

***ODA, as a differentiated responsibility for international development cooperation, a crucial tool in empowering people in developing countries to fulfil the right to development, and a critical investment in expanding global prosperity**

- Viewing the problems of the globe as problems confronting all of us as people and not merely as citizens of a state. Thus, no divisive tactics for resolving the world's problems of poverty, hunger and the AIDS pandemic.
- Recognition and promotion of global policies that seek to achieve justice and equality in ODA flows to combat the perennial problems facing the world today.
- ODA flows to be globally recognized, with the highest priority in their assistance being to eradicate global poverty, without any discriminatory or biased policies against the poor.
- Reconfirm the binding obligation of donors to assist developing countries in eradicating poverty, a prima facie case for a transfer of resources from rich countries to poor.

***Urgency of halting the declining trend and improving ODA flows and calling upon developed partners to fulfil their commitments towards meeting the United Nations 0.7 per cent GNP target, as agreed in 1970, as well as the agreed target for least developed countries of 0.15 to 0.20 per cent**

- Donors undertake collectively or individually to achieve the ODA target at a time to be agreed upon before the Conference.
- Undertake programmes in donor countries to enhance/mobilize public and political support for attaining the agreed ODA targets.
- Addressing obstacles to the flow of ODA.
- Also, this may mean agreeing on clear and transparent visions and objectives of ODA according to assessed national needs and capacities.

***Identify the need to increase ODA to match short and long-term needs of developing countries**

- Move to a system in which contributions to aid efforts are obligatory and annual flows are predictable.

***Improving ODA effectiveness through partnerships, mutual understanding, cooperation and facilitation among donors and recipients, which will require flexibility and non-conditionality in its disbursement and delivery procedures**

- The United Nations to undertake the regular assessment, monitoring and reporting of ODA provision, allocation, use and contribution to developing countries.
- Harmonizing and simplifying disbursement procedure.
- Making aid delivery arrangements compatible with the development imperatives of developing countries and using country-owned frameworks, including PRSP, to shift aid from projects to programme assistance.
- Enhancing the capacity of coordination of ODA at the national level.
- Avoiding linkages or conditions on aid recipients in the form of a "commitment" or tied aid.

***Strengthening the role of the multilateral donor agencies and increasing the resources of the multilateral and regional banks to support them in enlarging their financial and technical assistance to developing countries in development of, inter alia, human, physical and institutional resources**

- Multilateral donors should not discriminate against countries where the largest number of poor people live.

***Financing of GPGs should be provided from now and additional sources vis-à-vis conventional ODA, which calls for a substantial increase of the latter**

- Create a mechanism to facilitate payments by one country to another for services rendered, which cannot be mediated by market forces, such as payments of environmental services, control of narcotic drugs and control of contagious diseases.

Debt

***The need to identify the contribution to be made by debt relief to attaining the goals of financing for development**

***Ensure the full, speedy and effective implementation of enhanced HIPC initiative and accept the need for further measures to complement the enhanced HIPC initiative**

- The enhanced HIPC initiative is not enough to allow poorest developing countries to achieve development and poverty eradication.
- It should be fully funded through new and additional resources.
- Cancel all official bilateral debt of HIPCs.
- Implement the enhanced HIPC initiative flexibly.
- Maintain flexibility with regard to enhanced HIPC eligibility criteria, especially for post-conflict countries.
- Keep under review the link between enhanced HIPC poverty eradication programmes.
- Improve debt management.
- Provide more technical assistance.
- Consider a moratorium, or even debt cancellation, in certain situations.
- New financing on highly concessional terms or even grant terms.
- Avoid “cross-subsidization” of debt relief by other developing countries.
- Take special measures, including debt cancellation, to address the challenges of poverty eradication and sustainable development, particularly in Africa.
- Consider provisions similar to the United States bankruptcy code.

***Addressing the debt situation of middle-income developing countries, the following need to be considered and acted upon**

- Improve debt management, including liability management.
- Prevent bunching of debt servicing.
- Develop clearer principles and more transparent mechanisms for working out debt problems.
- Ensuring that all creditors, in particular private creditors, participate fully in debt negotiations and debt workouts.
- Consider last resort mechanisms, including mediation type mechanisms and the consideration of provisions similar to the United States bankruptcy code.
- Consider a moratorium on debt in support of social sector investment.
- Facilitate continued access to international capital markets, even when experiencing debt problems.
- Avoid “cross-subsidization” of middle-income debt measures by other countries.

***Systemic issues**

- Develop early warning mechanisms.
- Explore potential links between debt relief and trade.
- Promote closer cooperation among the United Nations, WTO and Bretton Woods institutions.
- Address the negative transfer of resources from developing to developed countries.
- Review the current conditionalities attached to IMF and World Bank instruments to, inter alia, ensure their compatibility with national development priorities and programmes.

Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

***Broadening and strengthening participation of developing countries in the international economic decision-making and norm-setting processes**

- Increase and enhance the participation of developing countries in IMF, the World Bank and WTO.
- Universal standards and codes should be developed through fully inclusive, participatory, accountable and open processes.
- Ad hoc groups that make policy decisions with global repercussions should complement and serve as an input to discussions in forums that are representative and that have clearly defined and broad-based intergovernmental mandates.
- International standards and codes with universal application should be developed through participation of all countries.

***A financial architecture responsive to the priorities of growth and development, especially in developing countries**

- Stability and development responsiveness of the international financial system.
- To consider an international arrangement for reducing excessive volatility in international financial flows, including the possibility of a regulatory framework.
- Adequate resources for emergency financing in a timely and accessible manner for countries affected by financial crisis.
- Multilateral surveillance by IMF and regional and subregional institutions of all countries in a symmetrical manner.
- Terms for the use of multilateral resources should be consistent with and not extend beyond the mandate and responsibility of the lending institutions.

***Full and effective participation of developing countries in the international trading system**

- Special provisions to ensure that developing countries benefit fully from the international trading system.
- Establishing an institutional relationship between the United Nations/WTO at the intergovernmental and Secretariat levels, as well as at the intergovernmental level, in regard to participation of Member and observer States of the United Nations.

***Support for the regional and subregional dimensions of international economic decision-making**

- To promote integration of developing countries into the world economy through regional and subregional cooperation.
- Measures to strengthen the regional and subregional response to financial crisis, including facilitation of emergency financing in time of crisis.

***Strengthening the role of the United Nations in global economic issues, including in promoting efficient and equitable global economic integration, in particular of developing countries, and in enhancing the coherence and consistency of global economic policies in support of development**

- Political dialogue and consensus-building at the international level, on questions of economic growth, social development and equity at the global level.
- Policy coordination for increased and more equitable world economic growth — international cooperation in tax matters.
- Implications for the General Assembly, the Economic and Social Council and the United Nations Secretariat.

Follow-up mechanism

- The follow-up mechanism of the International Conference of Financing for Development should ensure an effective and integrated approach as well as coordination at the intergovernmental, international and regional levels, and should include regular high-level political dialogue between the United Nations, the Bretton Woods institution and the World Trade Organization, with the participation of Member and observer States of the United Nations, as well as a participatory process involving all stakeholders.

13. Japan
15 April 2001

The provisional agenda for the International Conference an Financing for Development covers a vast range of issues related to development. In our deliberations, however, we should focus on a few specific subjects, if we expect to achieve concrete results. These subjects should be those on which (a) a convergence of opinion can be expected in light of the informal discussions held during the second session of the Committee; (b) real and realistic progress can be achieved in the United Nations; and (c) duplication with efforts currently being made in other international forums can be avoided.

From this perspective, Japan proposes for further consideration the themes of “Human resources development” and “South-South cooperation”.

Human resources development

One of the major bottlenecks for the effective mobilization and effective use of financial resources is caused by inadequate human resources. However, development partners can assist developing countries in improving their human resources through technical cooperation. Human resources development makes a particular difference in (a) mobilizing domestic resources through microfinancing and postal savings; (b) attracting foreign direct investment through legislation and institution-building; (c) improving trade conditions through diversification, marketing and improved negotiating skills; and (d) improving debt management.

South-South cooperation

South-South cooperation conducted between developing countries with relatively similar natural and cultural conditions can promote the transfer of appropriate technology in an efficient manner. Development partners can support such cooperation through the provision of financial resources and technical assistance. This type of cooperation is especially effective in developing the human resources mentioned above.

14. Burundi
15 April 2001

Introduction

The Government of Burundi fully supports the organization of this international event on financing for development, which offers an excellent opportunity to fulfil the commitments made at the Millennium Summit.

It endorses the report of the Secretary-General, which includes a number of pertinent recommendations and makes a significant contribution to the preparatory process for the high-level international event on financing for development.

It is also pleased with the progress of preparations for the event, as well as with the fruitful discussions held during the two previous sessions of the Preparatory Committee, and thanks Mexico for agreeing to host the event.

The Government of Burundi would like to suggest that at its forthcoming meeting, in formulating specific proposals and initiatives for the high-level event, the Committee should pay special attention to the points set out below.

A. Overview

1. It is important to bear in mind the commitments made by the heads of State and Government at the Millennium Summit, particularly the undertaking to uphold the principles of equality, solidarity and social justice, and the crucial objective of halving poverty by 2015. This poses a tremendous challenge to the international community, considering the means and reforms that are needed in order to attain these objectives. A far-reaching review will need to be carried out of the mechanisms governing globalization so as to ensure that its advantages and benefits are distributed more equitably and to reverse the present trend whereby the rich are becoming richer and the poor, poorer. A large-scale effort must be made to help

the developing countries mobilize the resources they need to finance sustained development.

2. As in the case of the Millennium Summit, this event should be organized at the highest level as a summit of heads of State and Government, bearing in mind the importance of the decisions to be taken at it and their highly strategic nature. Indeed, there must be international consensus at the highest level if the event is to be a turning point in the implementation of a new world economic order based on greater equity, solidarity and social justice.

3. The high-level international conference should issue a political declaration expressing a firm political will and an undertaking on the part of all governments and of the entire international community to take collective action in addressing the issue of financing to ensure sustainable development for all. The conference should define the political principles to be applied at both the national and the international level, as well as the collective objectives and goals to be attained and the means needed to accomplish this. Follow-up mechanisms should be developed and a framework should be set up for conducting regular reviews of the implementation of the programme of action and to deal with problems as they arise.

4. As stressed by the Secretary-General of the United Nations at the opening meeting of the second session of the Committee, if the agreed objectives are to be attained, a large-scale, concerted effort must be made by the many different actors involved, including both rich and poor, the public and the private sectors, civil society, international institutions, and commercial and voluntary entities.

B. Specific topics

1. Mobilizing domestic financial resources for development

1.1 All countries must realize that the mobilization of domestic resources for development calls for a supportive environment in which sound macroeconomic policies are applied (stabilization of public finance, control of inflation, use of effective and efficient mechanisms for the distribution of public expenditure) and favourable conditions in which the private sector can grow. Other essential factors in promoting the mobilization of domestic resources for development are political stability, good governance and the rule of law, a sound and transparent legal system, guarantees for private investors, transparency in public administration, markets and companies, respect for contract law and private property, efforts to combat corruption at the national and international levels, the participation of citizens and civil society in public life, and equal access to resources for women and men.

1.2 Nevertheless, although the individual countries must mobilize the domestic resources that they need for their development, the high-level international event should acknowledge that some developing countries do not have a sound enough economic base to ensure that they will have the necessary production, saving and management capacity to undertake, on their own, the effort of financing poverty-reduction programmes and ensuring growth. These countries should initially be able to rely on the mobilization of external resources and international solidarity in order to launch their development.

1.3 It is also important to recognize that the developing countries are not all alike, and that they face difficulties and constraints in the economic and the socio-political spheres. Viable and concrete solutions must be sought in each case, bearing in mind the particular situation in the country concerned.

2. Mobilizing international resources for development: foreign direct investment and other private flows

2.1 First of all, it is important to stress the need for a domestic and international environment that will attract foreign direct investment (FDI). Such investment plays a crucial role in a country’s development, since it provides a rapid means for transferring capital, technology and know-how and thus helps to improve competitiveness, access to the world market and growth.

2.2 It should be noted, however, that FDI is often aimed at making profits rather than at serving the best interests of the population. Governments must therefore design policies to ensure that FDI is not only inspired by the profit motive, but that it is also designed to promote sustainable and social development. Suitable mechanisms should be put in place to ensure that firms fulfil their social responsibilities and civic duties.

2.3 Most FDI flows currently go to developed countries and, in some cases, to countries with economies in transition, with only a small share going to least developed countries. The high-level international event should take steps to increase FDI flows to the developing countries. In particular, risk-coverage mechanisms and related measures should be designed to promote FDI in developing countries, especially the least developed countries.

2.4 It is also important to ensure the stability and efficacy of capital markets and to eliminate the speculative funds that caused so many problems during the Asian financial crisis of 1997. A thorough reform of international financial institutions is therefore needed in order to stabilize the international financial system.

3. Official development assistance

3.1 The high-level international event should recognize that for most developing countries, owing to the weakness of their economies and the consequent lack of internal resources, official development assistance (ODA) has a vital role to play in the progressive reduction of poverty and in their prospects for development. If the highly ambitious goals agreed at the Millennium Summit are to be realized, all the industrialized countries should agree to fulfil and even surpass their commitment to devote 0.7 per cent of their gross national product to ODA.

3.2 The efficiency and cost-effectiveness of ODA also need to be improved. In particular, it should be governed by a strategy focused on poverty reduction and able to bring about durable and equitable growth, and in which government and civil society are involved. ODA programmes must also be designed in concertation with external development partners.

3.3 ODA should particularly target the most vulnerable countries such as the least developed countries and small island and landlocked developing States.

3.4 ODA should not be subject to conditions which often restrict its impact, and deployment procedures must be streamlined and transaction costs reduced as far as possible. Furthermore, ODA should take into account the particular characteristics of recipient countries and the requirements formulated by them, and the recipient countries should play the leading role in the administration of ODA.

3.5 There should be energetic advocacy in favour of ODA, to convince public opinion in the developed countries of the validity and usefulness of ODA and to counter the argument whereby development assistance is perceived in the developed countries as a waste of money because the funds are used inefficiently and often misappropriated.

4. The debt burden

4.1 External debt is one of the greatest obstacles to development for certain countries, and an appropriate solution will certainly have to be found if the agreed goals are to be attained.

4.2 For countries such as Burundi, external debt overshadows all efforts towards development and poverty reduction; exceptional measures should be taken to deal with the unique and dangerous situations existing in those countries struggling with the biggest debt burdens.

4.3 The unrealistic conditions for States to benefit from the Heavily Indebted Poor Countries initiative must be eliminated. Indeed, the international community must also take the process farther, for example by cancelling the debts of heavily indebted poor countries.

5. Trade

5.1 Trade is one of the most efficient ways of mobilizing resources for development financing. It is one of the essential tools for fostering growth and reducing or eliminating poverty. However, this requires a favourable environment for commercial activity, on both the national and the international level.

5.2 The international event should recognize the particularities of Africa, which has profound structural problems preventing it from taking a substantial part in world trade. Its share of world trade has steadily declined, and the African economies now make up less than two per cent of the world's exchanges. The great majority of African countries still depend for their exports on two to four basic commodities with little value added, such as cocoa, coffee, tea and petroleum. Particular attention should be paid to the African countries, which should receive substantial technical and financial assistance to help them to increase and broaden their exports in order to take a greater share in world trade and escape from their current marginalized position.

5.3 The developed countries should take immediate measures to ensure that the least developed countries have free access to their markets for all sectors and products except for arms. They should consider doing the same for other developing countries, particularly African countries and small island developing States.

5.4 Technical assistance should be provided to the developing countries to enable them to implement the WTO Agreements. In that context, the member States of WTO should not have recourse to restrictive measures and rules and **should ensure** that standards, technical specifications and sanitary and phytosanitary measures are not used to obstruct trade, that they can be complied with by developing countries and that the latter receive sufficient assistance to that end.

5.5 The developed countries and the international organizations concerned should urgently institute measures to help the developing countries to cope with fluctuations in basic prices. The measures should include the establishment of a stabilization fund to protect against such fluctuations and the risk of instability linked to the increasing rate of globalization.

6. System-related issues

6.1 The international event should recognize the existing need and take all necessary measures to improve the coherence of international monetary, financial and commercial systems. Reforms are needed to enable international financial institutions to deal better with the consequences of globalization and meet new challenges in the sphere of development, improve the representation and participation of all countries, particularly the developing countries, in decision-making and normative processes and foster responsibility, transparency and equity. These reforms should lead to the establishment of a new international financial architecture which would ensure market stability and efficiency and could manage globalization so as to ensure the integration of the developing countries' growth and development priorities, with a view to promoting greater development and economic and social equity.

6.2 It is also vital to strengthen the United Nations, which should be seen as the appropriate framework for taking advantage of the potential of globalization in development financing.

C. Conclusion

The conclusion that can be drawn at the present stage is that, despite worldwide awareness of the dangers of a pattern of globalization which, in its current form, constantly widens the gap between rich and poor and contributes to the marginalization of increasing numbers of countries, particularly in Africa, there is still no clear determination in the international community to take decisive action and devote the necessary resources to attain the noble and ambitious goals established by the heads of State and Government at the Millennium Summit.

If all the parties are sufficiently committed and decide to follow the course set out at the Summit, the International Conference on Development Financing could constitute a major turning point, with a view to creating an environment conducive to the formation of an international consensus for durable and balanced development for all the peoples of the world. All States should take an active part in the preparatory process, in order to give the Conference the greatest possible chance of success.

15. Australia
16 April 2001

Overview

Australia supports the general thrust of the report of the Secretary-General and many of its findings and recommendations. Australia particularly welcomes the report's emphasis on the critical role of domestic policies and governance, the need to foster private capital flows, the importance of partnerships and the need to improve the quality (rather than merely the quantity) of ODA. In general terms, Australia believes the financing for development process would benefit from further discussion on:

- Improving the focus and coherence of financing for development to ensure that it reduces poverty and is sustainable;
- Clarifying the linkages and synergies between the main thematic areas in the report of the Secretary-General;

- Lowering the transaction costs of aid through better coordination and common procedures/reporting requirements;
- Continued improvement in cooperation between the United Nations and the Bretton Woods institutions, while being mindful of the need to avoid duplication;
- The special needs of small island developing States.

Themes for discussion

Mobilizing domestic financial resources

- The importance of domestic resource mobilization as a driver of growth.
- Supporting the efforts of developing countries to create open economies, with adequately supervised and well regulated financial markets, strong economic institutions, and credible and transparent economic policy frameworks.
- Completion of preparatory work for the elaboration of an international legal instrument against corruption.
- Recognition of the particular problems faced by small island developing States relating to their remoteness from major markets, modest natural resource and export bases, narrow skills bases, heavy reliance on costly imports, limited access to private capital, and vulnerability to natural disasters and environmental degradation.

Mobilizing international resources

- The elements of good governance required to attract private flows (for example, sound economic fundamentals, transparent, stable and predictable frameworks for private investment, and the rule of law).
- The convening of ad hoc global hearings to discuss the advantages and disadvantages of investment agreements.

Trade

- Continuing efforts by all trading partners within the context of WTO to liberalize trade in goods and services of particular interest to developing countries.
- Reduction of developed-country subsidies for agricultural production.
- The development and implementation of trade-related capacity-building for developing countries.

ODA

- Quality of aid issues, including closer coordination and harmonization of donors' operational policies and procedures.

Debt

- Ensuring continued international support for the World Bank-IMF HIPC initiative.
- Sound debt management by developing countries.

Systemic issues

- Enhancing cooperation/dialogue between the United Nations and the Bretton Woods institutions, while avoiding duplication.
- Recent reforms to improve the transparency and client focus of World Bank operations.
- The important role of smaller more flexible forums such as the Group of Twenty, in bringing together leaders from developed and developing countries, as well as IMF and the World Bank.
- Possible ways to improve cooperation between national tax authorities.