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Chairman: Mr. Balarezo..... (Peru)

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04-55273 (E)

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The meeting was called to order at 3.10 p.m.

Agenda item 84: Follow-up to and implementation of the outcome of the International Conference on Financing for Development (*continued*) (A/59/92-E/2004/73, A/59/92/Add.1-E/2004/73/Add.1, A/59/92/Add.2-E/2004/73/Add.2, A/59/115, A/59/155-E/2004/96, A/59/270 and A/59/272)

1. **Mr. Benmellouk** (Morocco), said that the Monterrey Consensus provided an integrated framework of actions to ensure that adequate financial resources were available to encourage development and strengthen the economies of the developing countries. The international community must accelerate the implementation of the Monterrey commitments by increasing official development assistance (ODA), encouraging financial flows, in particular foreign direct investment (FDI) in the developing countries; supporting macroeconomic, financial and monetary reforms in the developing countries; seeking solutions to the external debt problem of the developing countries; facilitating access to markets for the products of the developing countries; making international monetary, financial and trade policies more coherent; promoting effective participation in decision-making in international financial institutions; and improving international fiscal cooperation.

2. The Monterrey process would also be strengthened by efforts to develop innovative sources of financing for development in order to eradicate poverty and reduce the negative effects of globalization. In that context, he welcomed the joint initiative by France, Brazil, Chile and Spain to combat poverty and hunger as well as the recommendations of the High-level Panel on Innovative Approaches to Financing for Development, which should be considered in depth in the context of preparations for the 2005 Summit on the Millennium Development Goals. He also welcomed the note by the Secretary-General concerning the study commissioned by the United Nations University on innovative sources of financing for development (A/59/272). Any recommendation on that subject must be in keeping with the principles of efficiency and additionality and enjoy wide international support.

3. **Mr. Ngo Duc Thang** (Viet Nam) regretted that the pledges made at the Monterrey Conference had not yet been realized. In some regions, development

finance was dwindling, insufficient official development assistance would make achievement of the Millennium Development Goals very difficult, the developing countries' debt load remained unsustainable and trade barriers impeded the free flow of goods and services between the developing and developed countries.

4. The disparities between the richest and poorest nations were wider than ever: poverty was not only the greatest challenge to peace and stability in the twenty-first century but was also the international community's greatest moral challenge. Meeting the Millennium Development Goals, in particular with regard to hunger and poverty, depended largely on increased economic growth, especially in those countries where poverty was the worst and where recent economic performance had been the weakest. The Monterrey commitments must be implemented in order to assist the developing countries, especially the least developed countries, to achieve economic growth and sustainable development.

5. While each country was primarily responsible for its own economic and social development, the eradication of poverty would require a joint effort by all countries and international organizations and enhanced cooperation between the United Nations, the Bretton Woods institutions and the World Trade Organization (WTO). His Government had implemented administrative and financial reforms and undertaken development projects with international partners. As a result of political stability, economic growth (over 7 per cent per year) and an improved investment climate, the number of people living in extreme poverty or suffering from hunger had dropped from 30 per cent to 15 per cent of the population since 1990, gender equality had been promoted, HIV/AIDS prevention had been enhanced and the conditions for sustainable development had been created.

6. The World Bank and other relevant institutions had estimated that, in addition to the current \$50 billion a year provided in official development assistance, another \$50 or \$100 billion were needed. Although official development assistance had increased in recent years, only five countries had met the United Nations target of 0.7 per cent of gross national product (GNP) and the funds available still fell far short of development requirements. He therefore fully supported the Ministerial Declaration adopted by the Ministers of the Group of 77 and China at their 28th

annual meeting, calling on the international community to fully implement the Monterrey Consensus. He also looked forward to considering the study commissioned by the World Institute for Development Economics Research of the United Nations University on innovative financing proposals and the study prepared by the High-level Panel on Innovative Approaches to Financing for Development.

7. All development commitments must be urgently implemented, with a comprehensive and transparent system for monitoring progress, and the respective responsibilities of poor countries and their development partners should be clearly identified. The high-level dialogue to evaluate the implementation of the Monterrey Consensus to be held in 2005 would provide an opportunity for concrete decisions to accelerate implementation of the Consensus. The World Bank should also consider all options for the allocation of new resources and offer greater flexibility in order to increase the sources of financing for developing countries. The universality of the multilateral trading system should likewise be enhanced by increasing membership in the World Trade Organization; however, the requirements for new members should not be more stringent than those for existing members. That was especially important for his Government, which was engaged in negotiations to join that Organization.

8. **Mr. Fonseca** (Brazil), speaking on behalf of the Rio Group, welcomed the progress made by Governments, international institutions and organizations and the private and public sectors towards implementation of the Monterrey Consensus. The Rio Group reaffirmed its commitment to the outcomes of the International Conference on Financing for Development.

9. Although the alliance between the developed and developing countries had led to great progress, implementation of the Monterrey Consensus and the Millennium Development Goals by 2015 required even greater commitment on the part of stakeholders. Official development assistance must be increased and there should be mechanisms to ensure that assistance was used effectively. Efforts must also continue to develop innovative sources of financing for development and he welcomed the note by the Secretary-General on that issue (A/59/272) and the report of the High-level Panel on Innovative Approaches to Financing for Development distributed

at the World Leaders' Meeting on Action against Hunger and Poverty. The Rio Group, at its most recent summit in Cuzco, had considered that issue as well as the need to increase the capacity of Governments to make public investments, in particular in infrastructure. He looked forward to the consideration and adoption of concrete proposals in that regard by the international community.

10. Greater efforts must be made to strengthen the private sector and increase its ability to contribute to development and he highlighted the importance of the report of the Commission on the Private Sector and Development. He also highlighted the need to implement the Doha Work Programme and encourage international trade, in particular by eliminating agricultural subsidies and improving access for developing countries' products to the markets of the developed countries. In that context, he said that the "July 2004 package" should be implemented within the agreed time frame and that the Doha Round should truly be centred on development.

11. Active and committed participation by developing countries in the decision-making process in international financial institutions and in the development of international financial codes and rules was necessary to ensure the success of any reforms. It was also central that debt-related initiatives, such as the Heavily Indebted Poor Countries (HIPC) Initiative, be expanded in order to reconcile the need to maintain sustainable levels of debt with the need to promote growth and eradicate poverty.

12. The spring meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization (WTO) and the General Assembly's high-level dialogue on financing for development had proved to be effective mechanisms for follow-up to the International Conference on Financing for Development. There was, however, a need for better monitoring of follow-up to the Conference and for alliances to implement its commitments and develop a plan of work in the context of which all stakeholders could review progress made, identify problems and priorities and promote innovative mechanisms for cooperation. Implementation of the Monterrey Consensus was essential for achieving the Millennium Development Goals and it was important that the process of follow-up to the International Conference on Financing for Development make concrete contributions to the high-

level event to be held at the beginning of the sixtieth session of the General Assembly.

13. **Mr. Subedi** (Nepal), said that the Monterrey Consensus represented a milestone in the economic development of the developing countries and had given clear direction to both the developed and developing world. Furthermore, the recommendations made by the High-level Dialogue on Financing for Development of October 2003 had further defined policies on financing for development.

14. Primary responsibility for social and economic development rested with each country and developing countries should set their own national agendas and priorities; experience had in fact shown that imposition of conditionalities was not helpful. The efforts of developing countries nevertheless needed support from development partners but foreign aid must be linked to national priorities and international financial institutions should involve the developing countries in their decision-making processes.

15. He welcomed the slight increase in official development assistance from 2001 to 2003. He regretted that the target of allocating 0.7 per cent of gross national product (GNP) to official development assistance had not been met by most countries but, in that context, noted the European Union's Barcelona Commitments by which all European Union member States had reaffirmed their commitment to meeting that target. It was also essential that the debt problem of the least developed countries be addressed in order to help them meet the Millennium Development Goals.

16. Trade was an important engine for development and it was heartening that the international community was reviving trade talks with a view to paving the way for free, fair and rule-based trade. He stressed the need for market access and lower taxes in order to contribute to sustained economic growth and development in the developing countries and welcomed the outcome of the eleventh session of the United Nations Conference on Trade and Development (UNCTAD), which had helped put international trade negotiations back on track. Unfortunately, despite appropriate industrial and financial policies and good governance, many developing countries, in particular the least developed countries, had not been able to attract sufficient foreign direct investment. He also highlighted the important role of regional and subregional cooperation and of regional development banks.

17. The least developed countries had not been able to reap the benefits of the global economic system and were caught in a vicious cycle of poverty, compounded by a multitude of factors. Some faced internal conflicts or were geographically disadvantaged and required special attention from the international community. It was therefore urgent to reform and strengthen financing for development and generate additional sources of financing. A high-level dialogue on financing for development should be held before the high-level event during the sixtieth session of the General Assembly with a view to devising a global strategy to address the problems of the poorest of the poor.

18. **Mr. Choisureen** (Mongolia) said that progress towards meeting the goals of the Monterrey Consensus had been uneven at best. Success required sound national economic policies and good governance coupled with global action and partnership between developing and developed countries. Many developing countries had instituted important reforms but still required assistance in the form of targeted development assistance and foreign direct investment. It was regrettable that the insufficiency of official development assistance had made it necessary to seek alternative sources of financing for development and he called on the developed countries to honour their commitments. In that context, he welcomed the commitment by the Governments of the United Kingdom and of France to double their official development assistance.

19. Although his Government recognized each country's responsibility for its own economic and social development, it also accepted the need to cooperate closely with donor partners. Implementation of Mongolia's Economic Growth Support and Poverty Reduction Strategy and endorsement of the new Country Assistance Strategy (CAS) for Mongolia by the World Bank were important steps towards meeting the Monterrey Consensus. Significant progress had also been made on financing for development through bilateral engagements and he hoped that resolution of the debt issue with the Russian Federation would have a positive impact on his country's development.

20. The Millennium Challenge Account was an important new approach to development. Mongolia was one of the first countries to meet the eligibility criteria and was preparing a detailed development project which would be finalized after wide public

consultation and subregional and sectoral discussions involving both civil society and the private sector. His Government's practical approach to mobilizing international resources for development should contribute to the achievement of development goals; it thanked the international donor community for its active support and cooperation.

21. Further urgent action was needed by all stakeholders at all levels. In addition to addressing the issues of poverty reduction, environmental degradation, human rights, rule of law and good governance, a broader, long-term strategy was necessary to meet the need for additional financing for development. His delegation therefore welcomed the study on innovative sources of financing for development undertaken by the World Institute for Development Economics Research of the United Nations University (A/59/272) as a useful resource deserving careful consideration.

22. **Mr. Belkas** (Algeria) said that the international monetary, financial and trade systems must be made more coherent. Innovative sources of financing for development must also be found and he therefore welcomed the note by the Secretary-General (A/59/272) summarizing the study commissioned by the World Institute for Development Economics Research of the United Nations University on that topic. The study called for an additional \$50 billion a year for international development objectives and indicated a number of additional sources for financing. The solutions suggested had both advantages and disadvantages but all would require long and difficult technical negotiations at the international level. He mentioned the important role played by funds remitted by migrant workers to their home countries and supported the initiative of the Governments of Brazil, France, Spain and Chile to seek new sources of financing for the eradication of hunger and poverty.

23. The best way to ensure financing for development and achieve the Millennium Development Goals by 2015 was to implement the Monterrey Consensus and to mobilize additional financing for development, by increasing official development assistance and foreign direct investment, promoting market access for developing country products and ensuring fair and open international trade.

24. In 2005, the international community would review progress made towards implementation of the

Monterrey Consensus at the international and national levels, bearing in mind the target date of 2015. International development goals and the primary goal of poverty eradication would be compromised, in particular in sub-Saharan Africa, if the international community did not act and adopt the measures needed to ensure viable financing for development.

25. **Mr. Toro Jiménez** (Venezuela) said that poverty eradication and sustainable development required considerable political will and macroeconomic coordination in order to effect a massive transfer of resources to poor countries. In recent years, the aid channelled to developing countries through the Bretton Woods institutions had been relatively modest and the external debt of those countries continued to pose a serious obstacle to development. It was no use channelling financial resources for development to poor countries if such resources served only to pay off the external debt. Developing countries needed sufficient external aid to bring about socio-economic change. The Monterrey Consensus had not embodied specific commitments by stakeholders to channel sufficient resources for the needs of developing countries. A solid partnership therefore needed to be established between donors and beneficiaries of development assistance.

26. South-South cooperation should be strengthened, while new patterns of financing requiring the fulfilment of pledges by certain countries should be implemented. In view of that disquieting situation, his delegation suggested that the General Assembly should focus during the current session on ways and means of implementing the Monterrey Consensus, including through the High-level Dialogue for Financing for Development. It should establish a new plan of action to ensure implementation of the commitments made under the Monterrey Consensus, especially the pledges by developed countries to earmark 0.7 per cent of their GDP for ODA. The Assembly should also explore innovative sources of financing for development. Venezuela had created an international humanitarian fund to assist poor developing countries and combat poverty. It would continue working with the United Nations to reform the international financial and trading systems in order to give developing countries a greater voice and role in the decision-making processes of the Bretton Woods institutions.

27. **Ms. Alemán** (Peru) said that the international community must continue to open up its markets,

increase foreign direct investment and reform the multilateral trading system so that developing countries could institute good governance, create jobs and continue to grow economically. It was urgent to expand the prospects of developing countries in order to increase domestic public and private investments. Peru had therefore decided to establish innovative financial mechanisms to strengthen governance and eradicate poverty. The Peruvian initiative covered government accounting, the establishment of a South American infrastructure authority and the promotion of anti-cyclical measures.

28. Peru welcomed the recent communiqué of the World Bank and IMF Development Committee concerning the strengthening of the foundations for growth and the acknowledgement of the need for measures to increase fiscal space for public infrastructure investment and urged quick decisions in that regard. Her delegation also endorsed the initiative by the Governments of Brazil, Chile, France and Spain to explore new sources of financing to generate more resources for combating hunger and poverty.

29. **Ms. Hull** (United States of America) said that the United States strongly supported and reaffirmed the Monterrey Consensus. It had exceeded the HIPC Initiative standards by cancelling 100 per cent of eligible bilateral debt under the Initiative and had called for measures to enhance debt sustainability, including increased use of grants by multilateral development banks. It had increased ODA by 50 per cent and the President's \$15 billion emergency plan for HIV/AIDS relief was the largest international initiative ever to target a single disease. The Millennium Challenge Account, funded at \$1 billion in 2004, was designed not just to increase aid to the poorest countries, but also to make such aid more effective by supporting policies that favoured economic growth and democratic governance.

30. On the international front, total ODA was up more than one third since 2001. Leaders of the Group of eight industrialized countries (G-8) had made a commitment to extend the sunset date for the HIPC Initiative and to consider measures to further enable the poorest countries to achieve debt sustainability. The United States was working with immigrant groups, developing countries and its G-8 partners to reduce the transaction costs of remittances, which totalled about \$100 million annually. She emphasized the need for acknowledgement and acceptance by developing

countries that they bore the primary responsibility for their own development and that good governance was at the heart of the development process. Some developing countries had significantly strengthened their governance and institutions. For example, Georgia, Nicaragua, Nigeria and Peru had entered into partnerships with the G-8 to promote transparency and combat corruption, while the United States was working with countries in the Middle East and North Africa to support initiatives for economic reform and growth.

31. Each donor country had to decide how to fund its ODA commitments. Her delegation could never support initiatives to raise funds through global taxes. Indeed, the discussion of global taxes diverted attention from the need to bring all resources to bear in order to eradicate poverty and promote development. Domestic resource mobilization deserved at least as much attention as multilateral issues such as aid, trade and debt. Since developing countries' income was about \$6 trillion, and since domestic investment far exceeded foreign investment, there were tremendous potential gains to be realized by implementing policies that made full use of domestic resources. In that regard, the report of the United Nations Commission on the Private Sector and Development entitled "Unleashing Entrepreneurship: Making business work for the poor" made a compelling case that competitive markets, effective property rights and rule of law benefited the poor. The findings of the report, which her delegation welcomed, needed to be put into practice.

32. **Ms. Laohaphan** (Thailand), noting that trade was the single most important external source of funding, emphasized the need to eliminate export subsidies, reduce domestic subsidies and give developing country exports greater market access. She welcomed the "July 2004 Package" agreed at the WTO General Council meeting in Geneva and urged all the parties to demonstrate flexibility, good faith and compromise in order to achieve a timely conclusion of the Doha Round. There was a need to make the international financial architecture more transparent and ensure that developing countries were given a greater voice in decision-making. In particular, global governance must be improved by strengthening the participation of developing countries in international economic decision-making and norm-setting, especially in the formulation of financial standards, rules and

regulations, as well as by conducting financial surveillance. Greater coherence, coordination and cooperation were needed between the United Nations, the Bretton Woods institutions, WTO and other relevant stakeholders. In that regard, Thailand welcomed the fruitful outcome of the meeting of the Economic and Social Council with the Bretton Woods institutions and WTO in April 2004 and hoped that a similar arrangement would be made between UNCTAD and WTO.

33. Efforts at the regional, subregional and national levels also needed to be strengthened. Asian countries had been cooperating to develop the regional bond market in response to Asia's rising demand for investment capital. At the domestic level, innovative sources of development funding had been introduced and the Thai Government had supported small- and medium-size enterprises to bring about broad-based growth and prosperity at the grass-roots level. Thailand had initiated and implemented innovative campaigns to encourage productive activities, a new wave of entrepreneurs as well as specialized skills and knowledge.

34. Thailand welcomed the study of new and innovative sources of development finance conducted by the World Institute for Development Economics Research of the United Nations University and the Department of Economic and Social Affairs. It also welcomed the reports of the Technical Group established by the 30 January 2004 Geneva Declaration and the working group established by President Jacques Chirac of France to seek new financial and other resources to fight poverty and hunger.

35. **Mr. Kwon** Jae-hwan (Republic of Korea) said that the Monterrey Consensus was only the beginning of a long process of mobilizing resources for development and ensuring their effective and efficient distribution. Indeed, the gap between the international community's objectives under the Consensus and the tangible progress made towards attaining those objectives remained wide. His delegation hoped that the 2005 High-Level Meeting to review progress in the implementation of the Millennium Development Goals would serve to renew the international community's commitment to the world's poor. While he welcomed the New York Declaration on the Action against Hunger and Poverty, he believed that ideas for innovative sources of financing for development

should be the subject of greater discussion and deeper study.

36. Traditional sources of financing should not be neglected. The Republic of Korea, in a clear demonstration of its commitment to development partnerships, had continued to expand its ODA, donating over \$333 million towards ODA in 2003. Increased ODA could go a long way towards breaking the vicious cycle of poverty and setting countries firmly on track towards stable economic development.

37. However, greater transparency was needed in national and international governance to facilitate economic development in ODA recipient countries. In recognition of the increased importance of good governance, his Government would host the Sixth Global Forum on Reinventing Government in cooperation with the United Nations in Seoul in 2005. The Forum would focus on the theme "Toward Participatory and Transparent Governance".

38. **Ms. Jemaneh** (Ethiopia) said that Ethiopia was creating an enabling domestic environment for resource mobilization, including strengthening of public expenditure policy and management, tracking of poverty-related expenditures and comprehensive reform of the tax system to make it supportive of the private sector. The flow of foreign direct investment to least developed countries like Ethiopia remained very low. Developed countries should provide the required incentives to their businesses to invest in the least developed countries.

39. In the year following the adoption of the Monterrey Consensus, the real increase in ODA had been only \$2.3 billion. Developing countries must make good on their pledges to earmark 0.7 per cent of their GDP for ODA. The quality of ODA must be substantially improved and development cooperation should be based on the developing countries' own priorities and programmes. Her delegation welcomed the efforts of some developed countries to provide direct budget support and encouraged others to follow suit, since that was the best way to ensure that developing countries had ownership of development priorities. Expedient implementation of the Rome Declaration on Harmonization and simplifying of donor procedures could also improve the quality of aid.

40. Having reached the completion point under the HIPC Initiative, Ethiopia believed that a lasting solution should be found to the debt service problem

that would free sufficient resources to achieve the Millennium Development Goals. She welcomed the work in progress at the World Bank and the International Monetary Fund on the development of a forward-looking debt sustainability framework designed to help low-income countries manage their borrowings and avoid a build up of unsustainable debt, while pursuing the Millennium Development Goals. Consideration could be given to providing more resources on a grant basis and increasing multilateral debt relief. While Ethiopia welcomed the July Package agreed by the WTO General Council, it believed that the priority for least developed countries was securing the effective utilization of the preferential market access provided to them, in particular by removing supply-side constraints. With respect to commodities, relevant stakeholders should engage the private sector through the global compact, enabling commodity-producing countries to retain some degree of value added.

41. **Mr. Lomba** (Gabon) said that even with recent increases in official development assistance (to \$68.5 billion in 2003), developing countries would be unable to achieve the Millennium Development Goals by 2015. At the current rate of increase, it would take Africa nearly a century to achieve them. Calling for bold new measures to mobilize additional resources, he expressed his delegation's full support for the "Action against Hunger and Poverty" initiated by the Presidents of Brazil, Chile, France and Spain. His delegation took note of the report of the Secretary-General on follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/59/270) and the innovative sources of financing for development examined by the World Institute for Development Economics Research of the United Nations University (UNU-WIDER) (A/59/272). It agreed with the Secretary-General that the search for new and innovative sources of financing should focus on building existing resources rather than creating new ones. Pursuant to General Assembly resolution 58/230, the developing countries must participate effectively in determining those new sources.

42. The 2005 High-level Dialogue on Financing for Development would provide an opportunity to strengthen international cooperation for development. It should be closely coordinated with the five-year review of the Millennium Summit and the

implementation of the outcomes of the major United Nations conferences and summits.

43. **Mr. Gba** (Côte d'Ivoire) said that, while a serious crisis had prevented Côte d'Ivoire from implementing its poverty reduction strategy paper (PRSP), the impact of the crisis had been mitigated by having PRSP policies in place. National resources, however, were but a fraction of what was needed by developing countries. Developed countries had yet to allocate the prescribed 0.7 per cent of gross national income for official development assistance, and the \$70 billion increase in net private capital flows to developing countries in 2003 had not been equitably distributed, as private investors were reluctant to invest in politically unstable or conflict-ridden African countries. The Heavily Indebted Poor Countries (HIPC) Initiative, while an important source of financing, was limited by its rigid conditions for eligibility. Some flexibility was necessary in order to extend its benefits to a broader range of countries, particularly those in crisis situations.

44. The African countries hoped that the new and innovative sources of financing recommended by the Monterrey Consensus would not impose insurmountable new obligations on them. His delegation followed with interest the proposals being studied by UNU-WIDER and hoped that global environmental taxes, the Tobin tax on currency transactions, new special drawing rights, an international finance facility and increased remittances from emigrants would be implemented as soon as possible.

45. **Mr. Atiyant** (Indonesia) said that rural development should be a priority in developing countries' efforts to mobilize domestic resources for development. Small and medium-sized enterprises, microenterprises, the poor and women must have better access to the finance system through microfinance and microcredit facilities. Such domestic initiatives, however, were sorely in need of international support. The international community must respond with increased official development assistance, while allowing developing countries adequate policy space to implement nationally diverse development policies.

46. His delegation was keeping an open mind towards the proposals on new and innovative sources of financing for development. Such new mechanisms should supplement — not diminish — official

development assistance. Most importantly, the voices of developing countries must be heard in deciding on new mechanisms.

47. He urged the international community to redouble its efforts to find a lasting solution to the external debt problems of developing countries, including the low- and middle-income countries. The principles of the Doha Development Agenda must be continually emphasized in the effort to shape a universal, open, equitable, rule-based and non-discriminatory multilateral trading system. Furthermore, international financial architecture must allow greater participation by developing countries in international economic decision-making and norm-setting. In that context, developing countries should continue to maximize the opportunities provided by, *inter alia*, regional groupings, to increase their say in international policy-making.

48. His delegation supported enhanced cooperation and continued interaction by the United Nations with the Bretton Woods institutions and the World Trade Organization, and active participation by the United Nations Conference on Trade and Development (UNCTAD) in the annual spring meetings of the Economic and Social Council. It looked forward to the results of the multi-stakeholder consultations on financing for development, organized by the Financing for Development Office of the Department of Economic and Social Affairs, and to participating in the 2005 High-Level Dialogue on Financing for Development. The outcomes of the Council's spring meeting and the High-Level Dialogue of the General Assembly should be mutually reinforcing.

49. **Ms. Homanovska** (Ukraine) said that the new global alliance established by the Monterrey Consensus must be premised on full ownership of the development process by developing countries and countries with economies in transition. Her delegation welcomed the increased coherence and coordination between the Economic and Social Council and the Bretton Woods institutions and the World Trade Organization, but stressed the need for more practical forms of cooperation among them. In that connection, the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization (WTO), held every spring, was an important forum for reflection on the implementation of the Monterrey Consensus.

50. Ukraine, a transition economy, was making every effort to implement its commitments under the Monterrey Consensus at the national level. Under its comprehensive 10-year strategy for economic and social development, her Government was mobilizing domestic and international resources for development by promoting a favourable investment climate, enhancing the effectiveness of financial institutions, stimulating domestic savings and improving the banking and tax systems. It had also taken steps to reform its investment legislation and regulatory framework with a view to increasing foreign direct investment flows. Ukraine, which was in the process of acceding to WTO, hoped that requirements for new members would not exceed current commitment levels.

51. Stressing the importance of a stable international financial system to achieving sustainable development in countries with economies in transition and developing countries, she called for greater transparency in the international financial architecture and increased participation of transition economies in decision-making processes. It was crucial to maintain the stability and predictability of financial markets, prevent financial crises and strengthen the infrastructure of national financial and banking sectors.

52. Lastly, she expressed her delegation's support for efforts to explore new and innovative sources of development financing and welcomed, in particular, the Action against Hunger and Poverty launched by the Presidents of Brazil, Chile, France and Spain.

53. **Mr. Sunaga** (Japan) said that the Second Committee should accelerate its discussion of financing for development in anticipation of the five-year review of the implementation of the Millennium Declaration. While his Government had always been and would continue to be a leading donor of official development assistance, it believed that singling out and placing undue emphasis on one or two sources of support would not serve any useful purpose. It would be crucial to focus greater attention on stimulating private and domestic financial resource flows.

54. Official development assistance alone was not sufficient to solve all the difficulties facing developing countries. In the past 25 years, the countries of East and South-East Asia had received only two thirds of the official development assistance provided to sub-Saharan Africa, but had achieved significantly greater progress in the social and economic fields. Their

experience had shown that economic growth, supported by the promotion of trade and investment, contributed greatly to poverty reduction. Japan was carefully considering the various proposals on financing mechanisms and the mobilization of resources and looked forward to discussing them in the Committee.

55. The promotion of trade and investment in favour of developing countries would require both multilateral and bilateral efforts. Stressing the need for rapid progress in multilateral trade negotiations, he welcomed the recent WTO General Council Decision, which would form the basis for an ambitious and balanced conclusion of the Doha Development Agenda. On the bilateral front, Japan imposed no customs duties and no quotas on 93 per cent of its imports from the least developed countries and had no export subsidies on agricultural products.

56. In November, the fourth Tokyo International Conference on African Development (TICAD IV) would focus on promoting trade and investment between Asia and Africa, generating momentum for economic growth and fostering South-South cooperation.

57. In conclusion, his delegation welcomed the progress made by the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and WTO in achieving coherence and consistency in the international monetary financial and trading systems.

58. **Mr. Bethel** (Bahamas), speaking on behalf of the States members of the Caribbean Community (CARICOM), said that the CARICOM countries were fulfilling their responsibilities under the Monterrey Consensus. They were all democratic States and practised good governance; they had significantly enhanced their basic economic and social infrastructure; and their economies were open to international trade and investment. Moreover, their efforts to achieve sustainable development goals were funded mainly by domestic financial resources. Nonetheless, the international economic environment did not sufficiently take into account their special needs. Differentiated support and targeted assistance to small island developing States and other vulnerable groups were crucial to enhancing the coherence and consistency of the international monetary, financial and trade systems and would be an effective complement to the preparatory work for the International Meeting to

Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States.

59. CARICOM countries welcomed the attention to new and innovative sources of financing for development in the UNU-WIDER study, and in the report of the Technical Group on Innovative Financing Mechanisms introduced during the Summit of World Leaders for the Action against Hunger and Poverty. Those proposals could significantly advance global development goals; however, they must not place an undue burden on the developing countries they were intended to support, and their political coordination must be informed by the universally accepted principles of justice, equity, democracy, participation, transparency, accountability and inclusion.

60. The CARICOM countries attached particular importance to a transparent, open, democratic and inclusive dialogue on international cooperation in tax matters. In that connection, they reiterated the need for the successful conclusion of the consultations on making the Ad Hoc Group of Experts on International Cooperation in Tax Matters a subsidiary body of the Economic and Social Council.

61. **Ms. Ramadan** (Lebanon) said that the incremental approach to increasing official development assistance must become goal-based in order to achieve the Millennium Development Goals. Her delegation was concerned at the uneven distribution of private capital flows, including foreign direct investment to developing countries.

62. As indicated in the report of the Secretary-General, a satisfactory solution to the problems of heavily indebted low- and middle-income countries remained to be found (A/59/270, para. 42). While the extension of the HIPC Initiative was commendable, it was distressing that, nine years after its launching, only 14 countries had reached the completion point (A/59/270, para. 43). In that connection, her delegation supported proposals on debt cancellation as an additional source of financing.

63. Lastly, new and innovative sources of financing for development would be effective only as complements to those already in existence. Her delegation welcomed the discussion on remittances and hoped it would generate measures to reduce the cost of emigrant remittances to developing countries.

64. **Ms. Mammadova** (Azerbaijan), stressing the linkage between peace, security and development, said that Azerbaijan was channelling its limited domestic resources to meeting the basic needs of the population affected by conflict. Access to education, health and financial services, empowerment of the poorest and most vulnerable groups and improvement of infrastructure were key elements of the national development agenda. Priority was given to accelerating structural reforms in order to strengthen the investment climate; the positive trends in that regard were reflected in the World Development Indicators 2004 published by the World Bank.

65. Her Government was fully committed to the principle of transparency in investment-revenue management and had recently joined the Extractive Industries Transparency Initiative (EITI) set up by the United Kingdom. Her Government shared the concerns of commodity-dependent countries regarding market access on preferential terms. Preferential market access for the least developed countries and the landlocked developing countries and elimination of trade-distorting subsidies in developed countries were the most viable tools for developing countries to promote financing of their development and attain the Millennium Development Goals.

66. International efforts should be reinforced with a view to increasing capital flows to countries with economies in transition and improving net financial transfers. Accordingly, her Government underlined the important role of partnerships, greater engagement of the private sector and national policies aimed at enhancing business activities. Her delegation welcomed the discussions on innovative sources of financing and looked forward to the results of the work being carried out by the United Nations University World Institute for Development Economics Research (UNU-WIDER). Suggestions on new sources of financing merited further consideration. New financial mechanisms and sources should complement existing ones and contribute to increasing resource flows.

67. The Highly Indebted Poor Countries (HIPC) Initiative was a positive step towards solving the problem of unsustainable debt. Her delegation welcomed efforts to enhance the Initiative based on the findings of the 1999 review, including by modifying targets and thresholds, as well as performance requirements.

68. The United Nations had a key role to play in all aspects of financing for development, including trade, debt relief and financial systems. Her delegation agreed that the existing follow-up mechanism should be strengthened within the existing formats, namely, the annual spring meetings of the Economic and Social Council and the High-Level Dialogue on Financing for Development. The 2005 High-Level Dialogue on Financing for Development should be held separately from the major event also scheduled for 2005.

Agenda item 86: Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and of the twenty-fifth special session of the General Assembly (A/59/198, E/2004/70)

69. **Ms. Tibaijuka** (Under-Secretary-General, Executive Director of UN-HABITAT), introducing the reports of the Secretary-General in documents A/59/198 and E/2004/70, said that UN-HABITAT had intensified its efforts to forge new and strengthen old partnerships between national and local government, non-governmental organizations and other segments of civil society, regional and international bodies, as well as with and among bilateral assistance agencies for the collective implementation of the Habitat Agenda and of the related Millennium Development Goal 7, targets 10 and 11.

70. The culmination of those advocacy and mobilization efforts over the last year had been the holding of the Second World Urban Forum (WUF) in Barcelona, Spain, from 13 to 17 September 2004. The Forum had been endorsed by the General Assembly as an expert meeting between sessions of the UN-HABITAT Governing Council to allow all Habitat Agenda Partners to freely dialogue and exchange views, experiences and best practices. Its outcome and recommendations would be reported to the Governing Council by the Executive Director.

71. The Forum had been attended by prominent international personalities and political leaders, as well as participants from all over the world and various walks of life. Over 60 side events had showcased individual achievements and best practices, and small groups had strategized on how to move the urban agenda forward. The Forum had also attracted an unusually high degree of attention from the international press and media and had featured the highest number and best quality of exhibitions since

the Habitat II Conference in Istanbul. A special networking session had discussed the challenges of urbanization in Africa. The Forum had also honoured extraordinary accomplishments in human settlements development. In particular, a special UN-HABITAT citation had been presented to Prime Minister Rafic Hariri of Lebanon for his leadership in the reconstruction of his country following many years of conflict.

72. All participants had attached high priority to action at the local level and had underscored the crucial role of local government in the creation of cities and towns which fostered political participation and were economically dynamic, socially just and environmentally sustainable. That was also one of the key observations in the Secretary-General's report.

73. An entire day at the Forum had been devoted to a dialogue on cooperation between local government and the United Nations system and national governments in a determined and joint undertaking to face the global urban challenge and to implement the vision of Istanbul and the Millennium Development Goals. The dialogue had culminated in the signing of an agreement on cooperation between UN-HABITAT and United Cities and Local Governments (UCLG). The agreement had also served to reconfirm the role of UN-HABITAT as the advocate of local government and its representatives in the United Nations system. The General Assembly had decided to allow UCLG to participate without the right to vote in the deliberations of the Governing Council of UN-HABITAT.

74. With regard to strengthening capacity at the local level, the Forum had provided the opportunity for policy discussions of the Advisory Committee of Local Authorities, which advised the Executive Director of UN-HABITAT on development matters of concern to local government. There had been a meeting of its subsidiary body, the Advisory Group of Experts on Decentralization (AGRED) on the further elaboration of guidelines and recommendations on decentralization to be submitted to the Governing Council of UN-HABITAT at its twentieth session. Other important cooperation agreements signed at the Forum included one with Green Cross International to work towards improving access to safe water for the urban poor, and an agreement with Habitat for Humanity to work to provide shelter for the world's urban slum dwellers through self-help and cooperative efforts. The success of the Forum augured well for the next Forum, to be

held in 2006 in Vancouver, at the invitation of the Government of Canada.

75. The realization that, in an urban world, most sectoral issues would have to be addressed in cities and towns had also informed the work of the Commission on Sustainable Development. As mentioned in document A/59/198, the Commission had, at its twelfth session, reviewed the implementation of Agenda 21, the Programme for the Further Implementation of Agenda 21 and the Plan of Implementation of the World Summit on Sustainable Development. The Commission's thematic cluster for 2004-2005 was water, sanitation and human settlements. With regard to the problems created by rapid urban growth, the Commission had suggested, inter alia, that the United Nations Development Assistance Framework (UNDAF) and the World Bank's poverty reduction strategy should assign priority to water, sanitation and slum upgrading. UN-HABITAT had cooperated closely with the Division for Sustainable Development of the Department of Economic and Social Affairs, the regional commissions and other agencies and organizations in the preparations for the twelfth session of the Commission. It had also organized a number of events on youth, women, basic services and urban governance at the twelfth session.

76. She was pleased to report that the Water and Sanitation Trust Fund had received initial generous seed funding of about US\$ 15 million from the Governments of Canada and Norway. UN-HABITAT had launched a Small Towns Water and Sanitation Initiative for the Lake Victoria region in East Africa, and similar plans were under way for countries around the Mekong River Delta. A number of donors had already expressed a keen interest in supporting the Lake Victoria Initiative. If fully funded with US\$ 51 million, that project would help to attain and sustain Millennium Development Goal targets in water and sanitation for one million people in the small towns around the Lake within two years.

77. UN-HABITAT envisaged collaborating closely with the Commission on Sustainable Development over the coming years. It also expected that, at the thirteenth session of the Commission in 2005, which would issue policy recommendations for the cluster on water, sanitation and human settlement, the key role of UN-HABITAT and its Governing Council in their implementation would be stressed and guidance given to ensure such collaboration. Future sessions of the

Commission and the Governing Council of UN-HABITAT should be sequential, feeding into each other so as to allow for a symbiotic and mutually supportive working relationship between the two policy bodies and for active involvement of UN-HABITAT in the session of the Commission. She hoped that progress would soon be made to resolve the conflicting schedules of the thirteenth session of the Commission and the twentieth session of the Governing Council, which were both currently scheduled to start on 11 April 2005. The role to be played by UN-HABITAT was not confined to human settlements but also extended to water and sanitation aspects of the deliberations of the Commission on Social Development. It would be difficult, not to say counterproductive, for the two meetings to be held simultaneously.

78. As noted by the Secretary-General, UN-HABITAT was participating in the United Nations Development Group, including the meetings of heads of agencies, and in its various support and working subgroups. That had greatly improved collaboration with other United Nations agencies, programmes and bodies in the implementation of the Habitat Agenda and the Millennium Development Goals, which had been integrated into the new guidelines for the common country assessment and the United Nations Development Assistance Framework (UNDAF). The linkages between those and the country poverty reduction strategy papers had been clarified. Habitat programme managers (HPMs) had been placed in selected UNDP country offices, under an agreement between UN-HABITAT and the UNDP Administrator. By the end of 2004, 33 HPMs would be in place, most of them in least developed countries.

79. A key partnership in the implementation of the Habitat Agenda and the relevant Millennium Development Goals continued to be the Cities Alliance, chaired by the World Bank and UN-HABITAT and supported by 10 donor governments, the Asian Development Bank, UCLG, the United Nations Environment Programme (UNEP) and, more recently, Brazil. The Cities Alliance had expanded its work to support preparation of pro-poor city development strategies and large-scale slum-upgrading programmes, for subsequent consideration for funding. To date, US\$ 60 million had been mobilized in grant funding for its preparatory work.

80. As pointed out in the report of the Secretary-General, great strides had been made in the area of monitoring and evaluation, especially in UN-HABITAT support to governments. Progress had also been achieved in monitoring the implementation of target 11 of Millennium Development Goal 7. The State of the World's Cities Report for 2004 focused on the impact of globalization on urban culture and its social and economic ripple effect, often negative, in the developing countries.

81. Turning to the operational and field activities of UN-HABITAT, she pointed out that the report of the Secretary-General focused on work in post-disaster and post-conflict reconstruction and institutional rebuilding, as well as on disaster impact reduction. In recognition of its important role as a link between immediate emergency relief and reconstruction efforts, UN-HABITAT had been invited by the Secretary-General to join the Executive Committee on Humanitarian Affairs (ECHA) in early 2004. It had already begun to take an active part in the meetings of ECHA, as well as those of the inter-agency steering committee on humanitarian affairs. To support that new role, UN-HABITAT had moved to strengthen its rapid response capability and concluded a cooperation agreement with the Office of the United Nations High Commissioner for Refugees (UNHCR). It had also been invited to place a shelter expert in the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) to strengthen its capacity in that area.

82. UN-HABITAT had strengthened its partnerships for the implementation of the global urban agenda. The report highlighted in particular the deepening of cooperation with non-governmental and women's organizations and urban youth, especially in such areas as women's right to housing and property, urban safety and youth employment. Those activities had been integrated into its global campaigns on secure tenure and urban governance, which continued to be the main vehicles for implementation of the Habitat Agenda and the mobilization of civil society support for its objectives. The work with civil society organizations had received support from governments and other United Nations agencies, and numerous cooperation agreements had been signed. Cooperation with local authorities and UCLG had also been enhanced.

83. While governments had responded quite positively to calls for increased contributions to the Programme, the Secretary-General was concerned that

annual special-purpose contributions continued to outstrip general-purpose by a ratio of more than four to one, reaching US\$ 37.8 million in 2003. As long as that trend continued, it would be difficult for UN-HABITAT to plan its financial commitments and implement its work programme. The Secretary-General had also highlighted the establishment of the Water and Sanitation Trust Fund by UN-HABITAT and its work with the Asian Development Bank to arrange US\$ 500 million of follow-up investment by the Bank for water and sanitation projects designed by UN-HABITAT. His report also noted the progress made by UN-HABITAT in the establishment of a Slum Upgrading Facility and the start-up of the Special Human Settlement Programme of the Palestinian People. A Programme Coordinator had taken up his post and programme definition had begun, involving consultations with the Palestinian Authority, the Government of Israel, bilateral donors and international agencies, as well as fund-raising for the Programme's Trust Fund. To date, initial contributions to the Trust Fund had been made by the United States and Sweden. She also thanked all Member States for their voluntary contributions to UN-HABITAT. Funding had increased from US\$ 19 million in 2001 to US\$ 61 million in 2004. Predictability remained a challenge, however, and she hoped that the Second Committee would bear in mind the need to provide UN-HABITAT with stable predictable funding.

84. The global celebrations of World Habitat Day had been held recently in Nairobi, at the Kibera slum, which was the largest slum in Africa. On that occasion, the President of Kenya had launched the Kenya Slum Upgrading Programme, to begin to transform Kibera as well as other slums in Kenya into healthy living environments and change the lives of the people for the better. She appealed to all members to support the efforts of UN-HABITAT in Kibera and in other slums and to join in the pursuit of the Millennium Development Goals.

The meeting rose at 6 p.m.