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Chairperson: Ms. Intelmann. . . . . (Estonia)

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The meeting was called to order at 10.05 a.m.

Agenda item 52: Follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/61/253)

1. **Mr. de Rojas** (Director, Financing for Development Office, Department of Economic and Social Affairs), introducing the Secretary-General’s report (A/61/253), said that it should be read in conjunction with other reports on related themes, as well as the World Summit Outcome and General Assembly resolution 60/265. As in previous years, the report addressed each of the six leading actions identified in the Monterrey Consensus, and concluded with a discussion of the points outlined in chapter III of the Consensus on the theme “Staying engaged”.

2. With respect to the first action (mobilizing domestic financial resources for development), he noted that although many developing countries had continued to adopt measures to implement solid macroeconomic policies, improve governance and take actions to help stimulate and expand the private business sector, much remained to be done. There was a need to strengthen efforts to eliminate corruption and to guarantee to all citizens that the country was under the rule of law.

3. Turning to the subject of foreign direct investment and other private flows, he said that the financial markets of developing countries remained subject to volatility in international financial markets, and a disorderly unwinding of the large global imbalances could produce a reduction in both private inflows and external surpluses. In addition, FDI flows remained concentrated in a few countries. Because of the recent rapid growth in outward FDI from developing countries, efforts had been made to create a more attractive investment environment in developing countries, by improving infrastructures in key sectors such as transport, power and telecommunications.

4. The suspension of the Doha negotiations had raised serious questions about whether the Round could be successfully concluded, and whether it would be possible to achieve “development” as envisaged at the beginning of the Round. Trade was a crucial component of the development alliance forged at Monterrey.

5. With respect to international technical and financial cooperation for development, the United Nations would continue to monitor efforts to improve the quality and effectiveness of ODA, in accordance with the five major principles set out in the Paris Declaration on Aid Effectiveness. Notable progress had also been made in the area of innovative forms of financing.

6. As of 19 June 2006, 19 countries had reached completion point and 10 countries had reached the decision point under the enhanced HIPC Initiative. However, for some developing countries the amount of full and irrevocable debt relief upon reaching the completion point had not been enough to ensure sustainable debt levels. One of the main criticisms levelled at the HIPC Initiative was the inability of developing countries that had graduated from the Initiative to remain free of debt distress. Those countries would need, inter alia, sustained improvements in fiscal management, financing terms and public debt management. The Paris Club continued to play an active role in the HIPC process, as well as in providing avenues for debt relief for low-income and middle-income countries that did not qualify for the Initiative.

7. Enhancing multilateral dialogue and policy cooperation on key systemic issues, improving the governance structure of the international financial institutions and clarifying the role of official financing of emerging markets had been the focal points of recent discussions. The IMF member countries had established a new process of multilateral consultations on key issues of systemic importance. To ensure the efficacy of multilateral dialogue, all countries, including developing countries, would need to participate. A series of recent initiatives, encompassing bank regulation and supervision, accounting, auditing, corporate governance, data dissemination and money-laundering, was now at or close to the implementation stage. Many developing countries were thus facing multiple reform goals with only limited financial and implementation capacity. Therefore, prioritization and technical assistance were important.

8. At the ninth special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD), the President of the Council had proposed to initiate consultations with all

stakeholders on how to enhance the impact of the meeting. The Council had endorsed that proposal, by its resolution 2006/45. The 2006 meeting had been preceded by an unprecedented number of preparatory events organized by the multiple stakeholders in the financing for development process. Further meetings had been convened in New York and Washington, and the Financing for Development Office continued to organize workshops, multi-stakeholder consultations, panel discussions and other activities aimed at better enabling Member countries to implement their commitments as agreed in the Monterrey Consensus.

9. The Secretariat stood ready to assist Member States in the preparatory process for the international follow-up conference on financing for development, provided for in paragraph 73 of the Monterrey Consensus and in General Assembly resolution 60/188.

10. **Mr. Massieu** (Mexico) said that the next review conference should consider ways to strengthen the follow-up process to the Monterrey Conference, and wished to know the opinion of the Director of the Financing for Development Office in that regard.

11. **Mr. de Rojas** (Director, Financing for Development Office, Department of Economic and Social Affairs) said that the follow-up process was indeed extremely weak and that the next review conference should include an item on how to strengthen follow-up mechanisms on financing for development.

12. **Mr. Chowdhury** (Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) said that the development discussion was increasingly focused on the problems of the three most vulnerable groups of countries: the least developed countries, the landlocked developing countries and the small island developing States. The recent High-level Meeting on the Least Developed Countries had shed considerable light on the efforts being made by the least developed countries to improve their situation.

13. Although there had been improvements in the areas of ODA and debt cancellation, in the current environment the least developed countries were unlikely to achieve the goals and targets agreed in the Brussels Programme. Although the least developed countries had made considerable efforts to mobilize domestic resources, they must be given special support. As noted in the Secretary-General's report, they continued to receive only relatively marginal sums of FDI, which was concentrated on too few countries. The positive impact of migrants' remittances should not be underestimated, but they were no substitute for increased aid and FDI.

14. Although there had been some positive developments in the area of ODA, much more needed to be done to meet the Brussels target of between 0.15 and 0.20 per cent of GNI. As reflected in the Secretary-General's report, donors should direct ODA mainly to the poorest and least developed countries. One area that should continue to earn increased attention was that of non-traditional development assistance initiatives, such as the surcharge on air travel tickets introduced by 13 countries earlier in 2006. In that regard, he reiterated a suggestion that he had made earlier in the year, to the Economic and Social Council, that major oil-producing countries contribute 10 cents per barrel produced to the cost of infrastructure development in the least developed countries, over the next decade.

15. **Mr. Le Roux** (South Africa), speaking on behalf of the Group of 77 and China, said that more than ever before the United Nations system must be able to respond effectively to the changing developmental needs of Member States, in mainstreaming development as the central pillar of its agenda. All Member States must build an enabling environment for development, and that process would require greater political will to assist developing countries to realize the internationally agreed development goals, including the Millennium Development Goals. The Group of 77 and China once again called on developed countries to take decisive action on all the commitments made at the major United Nations summits and conferences in the economic, social and related fields. The full and timely implementation of those commitments would contribute to the full realization of the right to development, an issue that the Group regarded as sacrosanct.

16. The heads of the Bretton Woods institutions, WTO and UNCTAD should personally avail themselves of future opportunities to engage in a meaningful dialogue. The Group accepted that there were issues pertaining to financing for development which were being determined outside the United Nations framework. However, as the primary intergovernmental organization in which developing

countries enjoyed an equal voice and equal representation, the United Nations must play a significant role in shaping the global economic environment.

17. Recalling that General Assembly resolution 60/265 called for the efficient use of monitoring and follow-up mechanisms to ensure that commitments and actions on financing for development were effectively implemented, he said that Member States should undertake a review of that implementation process and identify ways to build on the various elements of the Monterrey Consensus, in accordance with its paragraph 73. The follow-up international conference on financing for development, called for in General Assembly resolution 60/188, should be held in 2007 and should be preceded by thorough preparations that were open, inclusive and transparent.

18. **Mr. Talbot** (Guyana), speaking on behalf of the Rio Group, said that much more needed to be done to fully implement the commitments and achieve the objectives of the International Conference on Financing for Development and reiterated the Rio Group's commitment to the Monterrey Consensus.

19. Inasmuch as each country bore primary responsibility for its own economic and social development, the members of the Rio Group had all worked to mobilize domestic resources and propel private sector-led growth in that regard. While domestic resources could be a major source of finance for development, most developing countries would require ODA or FDI in order to implement poverty reduction strategies.

20. Private financial inflows were an important source of external resources and it was worrisome that developing countries had become net remitters of resources. The reduced volume of private FDI in infrastructure and basic services would require the public sector, which operated within tight fiscal restraints, to play an enhanced role. The Rio Group, as middle-income developing countries, remained concerned about the impact that the boom-bust cycles of international private capital flows could have on its development.

21. Trade could yield greater benefits, and over a longer period of time, to developing countries than either ODA or debt relief. The Rio Group urged the key partners to demonstrate the political will required to set the Doha negotiations on the path to a successful conclusion.

22. Meeting the Millennium Development Goals would require more funding. The Rio Group invited all interested parties to comply fully with paragraph 41 of the Monterrey Consensus and stressed the need for flexible and predictable financing for recurrent cost-intensive services such as those provided by health workers and teachers. Resources should be aligned with the recipient countries' development priorities. Removal of the obstacles that stood in the way of the Goals would require increased international cooperation. Many countries, particularly least developed countries, landlocked developing countries and small island developing States, might not reach most of the Millennium Development Goals because growth remained below required levels; the Rio Group called on development partners to provide priority financial assistance to those countries.

23. The Monterrey Consensus had recognized the value of exploring innovative sources of financing for development. Much progress had been made in that regard and the Rio Group expected further progress. Several countries, including members of the Group, had embarked on initiatives that had made significant progress. The Leading Group on Solidarity Levies to Fund Development had met for the first time in July and had already borne fruit; the International Financial Facility for Immunization was expected to raise US$ 4 billion; the International Drug Purchase Facility (UNITAID) had been established on 19 September 2006 and would be funded by a solidarity levy on airline tickets.

24. With regard to debt sustainability, the Rio Group noted that 29 countries had benefited from the HIPC Initiative. The proposed Multilateral Debt Relief Initiative (MDRI) should be based on the concept of additionality and should not be burdened by conditionalities other than those in the HIPC Initiative. While the ad hoc increases in quotas agreed by the World Bank and IMF in Singapore were welcome, more discussion was needed on the reform of the quota formula and on basic votes.

25. In Latin America and the Caribbean, 870 million persons lived on less than US$ 2 a day in the middle-income countries and 96 million persons lived in extreme poverty in those same countries. Although the

region received only 8.8 per cent of total ODA, aid played an important role in middle-income countries.

26. The link between financing for development and the achievement of the Millennium Development Goals could not be overemphasized and the status of the implementation of the Monterrey Consensus should be reviewed as soon as possible.

27. **Ms. Hughes Ferrary** (Saint Vincent and the Grenadines), speaking on behalf of the Caribbean Community (CARICOM), supported the remarks made on behalf of the Rio Group.

28. CARICOM countries faced a formidable challenge to achieving their economic objectives and welcomed the agreement on the need to provide greater support to developing countries by accelerating the process of follow-up to and implementation of the outcome to the International Conference on Financing for Development. The 2005 World Summit had reaffirmed the Monterrey Consensus as the reference point for a meaningful global partnership.

29. CARICOM had also been heartened by the discussions during the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD. The meeting had revealed an enhanced appreciation of the interconnection between international economic conditions and the prospects for development and of the need to foster a conducive and enabling international environment. Increased dialogue on development with beneficiaries could lead to a deeper understanding and more substantial results in development cooperation. Despite the expansion of private aid flows, those flows were concentrated in a few countries and the level of ODA required for the achievement of the Millennium Development Goals was still lacking.

30. CARICOM urged closer examination of innovative proposals for new and additional sources of financing for development that would complement ODA and not impose any burden on developing countries, such as the incremental redeployment of military expenditures to development purposes.

31. CARICOM countries had consistently worked to advance the implementation of the Monterrey Consensus. Although CARICOM States remained vulnerable to the vagaries of the international economy, the region remained undaunted and, with the inauguration of the Caribbean Single Market and Economy, had committed itself to promoting continued development.

32. The follow-up process to the International Conference on Financing for Development would be facilitated by reviving the Doha Development Round, making greater progress on debt relief, enhancing debt sustainability and improving the international financial system to favour development.

33. **Mr. Lawrence** (United States of America) said that his country continued to support the vision enunciated in Monterrey and was proud of its record of ODA. It had pledged to increase foreign assistance by 50 per cent over 2000 levels by 2006 and had kept that pledge three years early. In addition to ODA, net financial flows from the United States to developing countries in 2005 had amounted to $633 billion, including $487 billion in payment for net goods imports from developing countries and $146 billion in net private investment flows.

34. Developing countries bore primary responsibility for their own development and good governance was at the heart of the development process. Domestic resource mobilization deserved at least as much attention as multilateral issues such as aid, trade and debt. In 2005, there had been $3.1 trillion of developing economy domestic savings versus $106 billion in ODA from all sources. Those savings did not include an estimated $9.3 trillion in untitled real estate capital owned by the poor in developing countries, according to the economist Hernando de Soto. The report of the United Nations Commission on the Private Sector and Development had advocated policies such as competitive markets, effective property rights and rule of law. His country looked forward to more work by the United Nations on that topic.

35. The United States had concluded free trade agreements with many developed and developing countries and was committed to removing all agricultural subsidies as soon as other nations were willing to join it in doing so. He noted that 70 per cent of tariffs on trade were imposed by developing countries on other developing countries. His country had met its commitments to cancel bilateral debt for eligible heavily indebted countries and continued to work with the major international financial institutions to cancel debt for those countries. While it fully

supported providing medications to all who needed them, it did not favour international taxation schemes such as the solidarity levy on airline tickets, and encouraged States to demonstrate their commitment to the fight against HIV/AIDS through regular budget provisions.

36. With the right choices by all actors concerned, there was a good chance of reaching the goals that the international community had set for itself at Monterrey and in the Millennium Declaration.

37. **Mr. Ananyev** (Russian Federation) noted from the Secretary-General's report (A/61/253) that progress had been made in the areas of mobilizing domestic resources, increasing official assistance and private financial flows and providing more extensive debt relief. It was, however, a matter for concern that progress in trade had stalled and that the prospects for the completion of the Doha round were doubtful. It was all the more important to develop a proper understanding of how trade negotiations should be conducted and to determine the appropriate scope of a trade agenda.

38. His delegation welcomed the information contained in the report on measures taken to ensure the participation of all the stakeholders in consultations on future action. The high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD had been particularly useful, with its decision to initiate consultations with all stakeholders on practical measures to implement the Monterrey Consensus. The United Nations should encourage the interaction between the Bretton Woods institutions and WTO, with participation by civic society and, above all, the private sector, in order to strengthen the functioning and monitoring of international currency, financial and trade systems in the interests of promoting development. Such high-level meetings of the same bodies should be held annually to consider every aspect of the Monterrey Consensus.

39. His delegation welcomed the outcome of the High-level Dialogue on Financing for Development as an intergovernmental mechanism not only for coordinating measures in implementation of the International Conference on Financing for Development and related issues but also for bringing about a more effective division of labour and closer ties between the United Nations, the Bretton Woods institutions and WTO. His delegation was committed to the aims of the Monterrey Consensus.

40. The Russian Federation intended to play an increasingly active role in international development assistance. Its cooperation with developing countries was already substantial. Its contribution to the HIPC Initiative was the highest by any donor country, in relation to GDP: in 2005, it had given debt relief to African countries totalling $2.2 billion, or 0.29 per cent of GDP. In absolute terms, the Russian Federation's debt relief for developing countries was third only to that of Japan and France. The Russian Federation assisted development by providing preferential terms of trade. Traditional export goods from developing countries, including those in Africa, were not subject to import tax. The Russian Federation had also invested widely in African projects.

41. The Russian Federation attached great importance to ODA and was seeking to increase the scope of its cooperation and its donor potential. Simply to increase external assistance, however, was not the answer. The quality and effectiveness of assistance was also important. ODA should be put on a sounder and more predictable footing and the structure and modalities of assistance should be improved.

42. His delegation generally supported the idea of tapping non-traditional sources of financing for development, in accordance with the spirit and the letter of the Monterrey Consensus. Any contributions under the proposed International Finance Facility and other initiatives to increase development assistance, particularly through international taxation, must be strictly voluntary and should be adopted only by States that deemed such a mechanism feasible from the point of view both of their domestic legislation and their financial resources.

43. **Mr. Chandrappan** (India) said that the Millennium Development Goals could not be achieved without enhanced resource flows, full achievement of the development imperatives of the Doha Development Agenda, the July framework agreement and Hong Kong Ministerial Declaration on trade, and the reform of economic and trade institutions, as well as recovery by the United Nations of its role of setting the international development agenda.

44. The Secretary-General's report provided striking statistics and indicated that ODA had in fact been lower in real terms in 2004 compared with 1990. India

agreed with the report's conclusion that aid must be increased if developing countries were to achieve the Millennium Development Goals. A broader understanding on debt relief should be evolved without insisting on conditionalities. His country welcomed the adoption of innovative sources of financing and called for robust and efficient mechanisms to track ODA flows.

45. The Monterrey Consensus emphasized the role of the State in socio-economic development and the importance of public investment. The State should not merely provide a favourable framework for private sector growth and for foreign investment; it often needed to make a substantial investment in human development sectors and in basic physical, social and institutional infrastructure. His country shared the Secretary-General's views on the World Bank's strategy for improving governance and believed that governance was characterized by the historical and contextual specificities of countries. Nothing should be done to protect the fiduciary interests of the World Bank at the cost of development and the Bank should remain steadfast in its mission to achieve "a world free of poverty".

46. For defending livelihoods, the sovereign functions of the State should not be undermined and regimes that eroded the autonomy of policy space should be reformed and checked. The 2005 World Summit had stressed the need for balance between national policy space and international disciplines and commitments. Resistance to unjust international regimes was bound to grow; demands for reduction of *de minimis* payments by all countries reneged on the July framework agreement and were unacceptable to developing countries with subsistence farming and resource-poor farmers.

47. The Monterrey Consensus stressed the importance of enhancing the coherence and consistency of international monetary, financial and trading systems. India believed that development could not be achieved through piecemeal and uncoordinated policies. Greater political consensus was needed on improving the decision-making system. The people affected should participate in the decision-making processes, thus enhancing their legitimacy, transparency, accountability and ownership. The net outflow of resources from developing countries ($600 million in 2005) pointed to the need for reform of the international financial system and for initiation of the second stage of IMF quota reform.

48. Global imbalances could not be solved by unilateral action. In a rapidly integrating global economy, issues of bilateral and multilateral surveillance shared a symbiotic relationship with respect to systemically important countries and to developing and emerging market countries as well. His country awaited the results of the first multilateral consultations on that issue.

49. India recognized the need for effective review and assessment of the implementation of commitments and agreements reached at the Monterrey Conference. The real success of the United Nations would be in the political management of the process; the Organization should play a prominent role not only in setting the direction but also in delineating and guiding the international macroeconomic agenda. The Economic and Social Council should be strengthened in order to fulfil its task effectively and efficiently.

50. **Mr. Atiyanto** (Indonesia) said that the attainment of the Millennium Development Goals required not only mobilization of domestic resources and an increase in financial flows to developing countries but also, and more importantly, correction of the imbalances of the global economy. Despite the promising recent trend in the global economy, saving the lives of millions in the developing world demanded concrete actions for development. However, development without finance was powerless.

51. The international community should do everything possible to change the situation. All that was required was implementation of the economic and social commitments made at major United Nations conferences and summits, particularly the Monterrey Consensus and the 2005 World Summit Outcome.

52. The follow-up actions agreed at the 2005 World Summit should be carried further. Existing mechanisms should be strengthened and consideration should be given to the establishment of effective mechanisms to monitor, review and follow up the implementation of the social and economic goals of major United Nations conferences and summits. There was no need to renegotiate the Monterrey Consensus. If the international community wanted to do more, both the developed and developing countries needed to carry that noble commitment forward.

53. The developed countries had four basic obligations: to open their markets to the products of developing countries, particularly agricultural goods; to address the needs of developing countries for debt relief, particularly for low- and middle-income countries; to determine whether sufficient FDI was being channelled to developing countries; and to share technology with developing countries. Developing countries, in turn, should continue to pursue policies of good governance and fight corruption; promote universal education and human resources development; provide a hospitable climate for FDI; and ensure the sustainability of their environments.

54. South-South cooperation was an important complement to North-South relations at all levels. Indonesia had contributed to the development of technical cooperation among developing countries through the Non-Aligned Movement Centre for South-South Technical Cooperation.

55. His delegation agreed that it was important to stay engaged with existing institutions and relevant stakeholders in the financing for development process and stood ready to participate constructively in preparing the follow-up international conference on financing for development.

56. **Mr. Llanio González** (Cuba) said that ODA remained well below the amount needed to achieve the Millennium Development Goals and, in some cases, had actually been reduced. Such assistance should be offered without conditions, which distorted the concessional nature of the assistance and subordinated the development needs and priorities of the recipient countries to the “donors’” interests. Cuba was therefore in favour of establishing a mechanism to monitor ODA commitments.

57. The marginalization of developing countries in international trade was increasing. It was important to note that true development in the field of trade could not be attained through trade liberalization alone and that trade could promote development only if countries received “special and differential treatment” on the basis of their development level.

58. It was time for the entire international community to develop the political will needed to change the current unequal world economic order and to uphold the principles of cooperation and selfless assistance so that the developing countries could achieve the Millennium Development Goals.

59. **Mr. Chowdhury** (Bangladesh) said that the gap between the rich and the poor had widened and that most of the least developed countries were far from achieving the Millennium Development Goals. Despite major reforms in fiscal and monetary policies, Bangladesh itself still needed external support, for instance in the form of free market access, sufficient ODA and full debt cancellation.

60. In order for the developing countries to gain significant market access, it was necessary to grant duty-free and quota-free access for all products of the least developed countries to the markets of developed countries; eliminate all types of protectionism against the products of the least developed countries; assist them in strengthening their trade capacity; exempt them from anti-dumping, countervailing and safeguard measures; and provide compensation for erosion of most-favoured-nation preferences for tariff reductions.

61. The distribution of ODA should be rational and equitable and not politically motivated. All developed countries should devote 0.20 per cent of their GNP to ODA for least developed countries. It was also critically important to fully implement the Paris Declaration on Aid Effectiveness. Innovative sources of financing for immediate frontloading of resources could supplement existing sources and should focus on the least developed countries. His delegation welcomed the pilot schemes of the solidarity contribution on airline tickets and the International Finance Facility for Immunization.

62. Development partners were urged to write off all outstanding debts of least developed countries and to broaden FDI flows to include more countries. Finally, given that the microcredit sector had registered astonishing success in harnessing capital markets to alleviate global poverty, the international donor community was encouraged to invest more heavily in microfinance.

63. **Mr. Liu** Zhenmin (China) said that, while national governments should assume the main responsibility for development financing, international support was also essential. The developed countries needed to fulfil their commitments with respect to aid, debt relief and market access and gradually attain the goal of 0.7 per cent of ODA/GNI. It was also necessary to reform international economic, monetary and trade systems to remove the structural obstacles to development financing. A fair and effective financial

environment should be created and developing countries given a greater voice in decision-making. It was essential that the Doha Round should be resumed as soon as possible so that an equitable and open international trade environment could be established. Finally, the international community needed to develop new financing mechanisms and diversify the sources of development aid.

64. Domestically, China would continue to open up its economy and develop closer links with world markets. As a developing country, it had been offering diversified development aid to other developing countries and had been implementing measures such as zero tariff treatment, debt relief, concessional loans, public health cooperation and human resource training. In that regard, China was ready to continue to exchange views and to reinforce mutually beneficial cooperation.

65. **Mr. Ahmad** (Pakistan) said that, like other global agreements, the Monterrey Consensus continued to suffer from a serious implementation deficit. To overcome the crisis, it was essential to promote national policies and programmes that ensured good governance, macroeconomic stability, investments in human resources and export orientation.

66. At the global level, several essential goals needed to be pursued simultaneously. Pakistan fully agreed with the Secretary-General that ODA should not only be substantially increased but should be directed mainly to the least developed countries. Increased resources should be channelled through the budgets of recipient countries to enable full application of the principles of ownership and alignment. Debt cancellation should be broadened and FDI flows directed towards the weaker economies. Greater efforts were required to mobilize additional development finance through innovative measures, while maintaining compensatory financing for trade erosion. The Doha Round should be revived and the agricultural subsidies of the rich countries eliminated. Finally, the international financial system needed to be reviewed and restructured to enhance the participation of developing countries in international financial institutions.

67. Pakistan welcomed the upcoming follow-up international conference on the implementation of the Monterrey Consensus as an opportunity to take stock of the situation and remained firmly committed to making financing for development a success both within and outside Pakistan.

68. **Mr. Osman** (Malaysia) said that the international community needed to strengthen its efforts to fulfil the Monterrey commitments and mobilize financial resources for development, as called for in the 2005 World Summit Outcome. Financing for development played a key role in developmental issues and the Development Cooperation Forum and the Economic and Social Council's annual ministerial review should complement existing follow-up mechanisms.

69. Malaysia was disappointed that only one of the four countries whose IMF quotas had been increased in the first phase of reform belonged to the Group of 77. Indeed, some members of the Group had actually found their quotas reduced. Malaysia called for a stronger commitment from the advanced countries to limit their claims for higher quotas during the second phase of reform, so that the IMF quotas would reflect current international economic realities more accurately.

70. The Monterrey Consensus had recognized the importance of mobilizing domestic financial resources for development and the critical role of national governments in that respect. The Malaysian Government had taken numerous measures to maximize the potential of its financial resources and, since the early 1980s, had paid particular attention to strengthening the Islamic financial system.

71. **Mr. Gass** (Switzerland) said that his delegation advocated that the Declaration of Paris should be promoted from the status of a declaration of institutions and Governments to become the code of conduct for all actors in the field of development. It had become difficult to coordinate the funds provided by private foundations because of their increasing number. However, it was important to ensure that coordination efforts did not have a negative impact on the activities of those important actors. In the analysis of private financial flows, it would be useful to address the role of funds provided by private foundations and the remittances of private individuals, which made an essential contribution to the area of development.

72. The "Aid for Trade" mechanism was important for ensuring that trade made a significant contribution to the goal of development. Existing mechanisms would suffice for that initiative and there was no need to establish a new mechanism. The "Aid for Trade" initiative should benefit not only the least developed

countries but also low-income and lower-middle-income countries. Furthermore, it was essential for Governments to establish fiscal polices that were fair and transparent. In many cases, the tax base could be widened and the progressive nature of taxation could be further developed, with a view to ensuring that those individuals and companies that were already benefiting from globalization made an appropriate contribution. Furthermore, least developed countries should ensure that they had the necessary capacities to coordinate the resources provided to them. It was also necessary to maintain a balanced debt initiative in the wake of debt relief, so that resources could contribute to the realization of the Millennium Development Goals. His Government would continue its efforts to achieve the objectives set by the Monterrey Consensus. While the Swiss Parliament had decided that government expenditures would increase less rapidly in the coming year, after 2008 the Government planned to increase the percentage of its budget allocated to development aid.

73. **Archbishop Migliore** (Observer for the Holy See) welcomed the emphasis on fighting corruption and establishing sound governance frameworks for effective resource mobilization. However, the task of improving governance frameworks in developing countries was a gradual process. His delegation concurred with the view that the low-income developing countries faced the greatest difficulties in mobilizing domestic resources for development and should be the subject of particular attention. The Poverty Reduction Strategy Papers, which were prepared by developing countries through participatory processes could provide an appropriate framework for defining national development strategies and assisted low-income developing countries in achieving the Millennium Development Goals. Many of those countries were far from meeting the 2015 targets and his delegation encouraged all stakeholders to remain actively engaged and to monitor the progress being made by those countries towards the Goals on a periodic basis.

74. **Mr. Brevik** (Norway) said that the Monterrey Consensus had established a carefully balanced partnership between individual States and the international community, and between the State and the private sector. It was encouraging that the strongest economic growth had taken place in developing regions. However, those positive growth rates benefited the poor to only a limited degree. Private sector growth entrepreneurship and growth were necessary but not sufficient for achieving the Goals. More active redistribution policies were crucial. In that connection, growth policies and policies to ensure fair distribution were mutually reinforcing rather than mutually exclusive.

75. One of the challenges of good governance was to ensure growth with fair distribution. Good governance should include respect for all human rights and due attention to the social and environmental impacts of policies, as well as ensuring equality throughout all areas of society. Good governance was the responsibility of Governments at the national level but global governance structures and contributions from the international community were also important factors. His Government planned to contribute 0.97 per cent of its GNI to ODA, which was significantly higher than the 0.7 target. His Government would lead the way in debt relief by means of multilateral mechanisms and was also prepared to make use of unilateral debt cancellation measures in 2007. Following the failure of the Norwegian Ship Export Campaign as a development policy, his Government planned to cancel the ship export debts of Egypt, Ecuador, Jamaica, Peru and Sierra Leone. However, the ship export debt owed by Myanmar and the Sudan would not be cancelled until those two countries qualified for multilateral debt relief. The focus of the ongoing debate on illegitimate debt should be on creditor responsibility.

76. Having assumed the presidency of the Leading Group on Solidarity Levies to Fund Development, his Government would promote new and innovative financing mechanisms. It was important to develop a cheaper and more secure system for remittances, which were additional sources of income to development assistance. His Government regretted the fact that negotiations on a new WTO agreement had been suspended, since all countries needed up-to-date rules for international trade. His Government called on WTO to undertake diplomatic efforts to pave the way for an early resumption of negotiations. His Government welcomed the IMF resolution on quotas and voice and the debate on the representation of member countries in the World Bank.

The meeting rose at 12.40 p.m.