STATEMENT BY HON'BLE MR. NILOTPAL BASU, MEMBER OF PARLIAMENT AND MEMBER OF INDIAN DELEGATION, ON AGENDA ITEM 84: FOLLOW-UP TO AND IMPLEMENTATION OF THE OUTCOME OF THE INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT AT SECOND COMMITTEE OF THE 59TH SESSION OF THE UN GENERAL ASSEMBLY ON OCTOBER 13, 2004

Mr. Chairman,

We thank the Secretary-General for his report on the agenda item. We have read with interest the note on innovative sources of financing for development, enclosing a summary on the United Nations University - World Institute for Development Economics Research [UNU-WIDER] study on new sources of development finance. We associate ourselves with the statement made by the distinguished representative of Qatar on behalf of the Group of 77.

Mr. Chairman,

We welcome the opportunity to participate in the discussion on innovative sources of financing. We perceive such discussions as being among suitable vehicles for restoring the role and the authority of the United Nations General Assembly. In particular, we feel this would help us in re-establishing the primacy of the economic agenda at the United Nations. We have held consistently that the United Nations should have an important role in discussions relating to trade, external debt, money and finance, and technology, and in providing political guidance to the work of the Specialised Agencies, including, in particular, the World Bank, the International Monetary Fund and the World Trade Organisation.

Mr. Chairman,

The International Conference on Financing for Development had reaffirmed the need for more aid, trade and sustainable debt-financing, including external debt relief, coupled with domestic reforms in developing countries to increase domestic resource mobilisation and facilitate foreign direct investment. At Monterrey, donor countries committed themselves to a 7 per cent per annum increase of resource flows to the developing countries in real terms up to 2006. This would increase ODA to US $76.5 billion - far below the internationally agreed target of 0.7% of the gross national income of developed countries. Bridging the huge gap in resources, in relation to the requirements of the developing countries for achieving the Millennium development Goals, remains a major challenge for the international community.

We welcome discussions on innovative financial mechanisms and innovative sources of financing. We look forward to the outcomes of the study commissioned by the United Nations University - World Institute for Development Economics Research [UNU-WIDER] on the options in this regard. We also await studies being conducted by the multilateral financial institutions, as well as the technical group as a follow-up to the World Leaders' Summit on Action Against Hunger and Poverty, at the initiative of the President of Brazil, held in New York on September 20.

The technical group, recognising the need to increase the amount of aid currently available by at least US $50 billion until 2015 to finance the Millennium Development Goals, had studied various proposals for innovative ways to finance development, ranging from instruments that would be relatively easier to implement, including voluntary donation schemes, to other tools that would require a broader agreement. The challenges in the implementation of mechanisms as well as the risks, as brought out in the report of the technical group, require further detailed study. The technical group has stressed that the channelling and use of the resources generated through these innovative mechanisms should be guided by the general principles of efficiency, accountability and transparency. Resources raised through these mechanisms should be truly additional and should not crowd out the current ODA flows. Donor-weighted considerations should not impact on the nature, content and magnitude of the ODA flows.

The summary of the study by the UNU-WIDER has made some pertinent observations. We agree with the conclusion of the study that in each case, the international community needs to consider the extent of additionality, as there is a distinct risk of crowding out regular ODA. We also share the view that the consideration of the proposals should not detract from the obligations of the developed countries in fulfilling their ODA commitments. The notion of a double dividend does not mean that there is no cost. In this context, we stress the need to ensure that new mechanisms and new sources should not lead to greater burdens on developing countries. Innovative financial mechanisms and innovative sources of financing should not impact adversely on the existing level of resource flows or the need for greater voice representation of the developing countries in the international financial institutions and the decision-making processes.

Mr. Chairman,

It is a simple economic axiom that the rate of growth ultimately depends on the rate of investment. Innovative sources of financing are necessary to irrigate the economic desert created by the trinity of LPG - liberalisation, privatisation and globalisation. International financial institutions have virtually forced, via structural adjustments, deflation and devaluation on third world primary commodity producers. The least that can be done is to eliminate huge subsidies to the farming sector of developed countries. Competition to receive foreign investment means high interest rates leading in some countries to fiscal crisis, further compounded by low tax–GDP ratio, so beloved of international finance capital. This also drastically reduces social expenditure, especially in areas of primary education and primary heath care, adversely affecting human resource development, possibly the most important sustainable asset for the poor and developing nations. Low import duties arising from trade liberalisation also contribute to the fiscal crisis and the drastic curtailing of social expenditure. Humongous financial movements have been perhaps the most over-riding feature of globalisation. Hot money coming in is almost as bad as its going out of a country. Its inflow puts an upward pressure on the exchange rate leading to de-industrialisation. Therefore, a tax on currency and other speculative transactions is necessary both to stabilise equity and financial markets in developing countries and finance development itself. A similar beneficial and non-inflationary role can be played by Special Drawing Rights on which an agreement has existed for some time. The need is to implement it. In sum, the international community must assist the developing countries in their efforts to address the challenges arising from globalisation, in particular the contraction in the autonomous policy space and capacity in dealing with them.

The situation, therefore, through an inexorable logic demands the restoration of the UN as a planetary system setting the international policy paradigm and guiding the Bretton Woods Institutions and the WTO since these have championed the interests of global finance to the detriment of all countries. Of course, in the WTO itself following the August 1 framework agreement, the solidarity and intense struggle of developing countries are necessary to make the developed countries eliminate trade-distorting subsidies, ensure market access, special safeguard mechanism, and come to an agreement on tariff. Post-WTO trade features suggest a sharp reduction in the average export price of primary commodities resulting in the plunging of overall export earnings of the developing countries. On the other hand, import prices of industrial products have gone up further, thus exacerbating the adverse terms of trade for the developing countries.

Mr. Chairman,

India recognises the need for an effective mechanism to assess the implementation of commitments and agreements reached at the Monterrey Conference. The annual meetings of the Economic and Social Council (ECOSOC) with the Bretton Woods institutions, World trade Organisation and the United Nations Conference on Trade and Development should serve this purpose. The need for greater synergy between the annual meetings ECOSOC with the Bretton Woods institutions and WTO and the UNCTAD on the one hand, and biennialised high-level meeting of the General Assembly on the other, is also recognised. But coherence between the UN and Specialised Agencies is, by itself, not enough. The UN has to not only play a predominant role in setting the direction, but in setting and guiding the international macro-economic agenda.

Thank you, Mr. Chairman.

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