



**STATEMENT BY MR. SARTAJ SINGH CHHATWAL, MEMBER OF PARLIAMENT
AND MEMBER OF INDIAN DELEGATION, ON AGENDA ITEM 51: FOLLOW-UP
TO AND IMPLEMENTATION OF THE OUTCOME TO THE INTERNATIONAL
CONFERENCE ON FINANCING FOR DEVELOPMENT IN THE SECOND
COMMITTEE OF THE 60TH SESSION OF THE UN GENERAL ASSEMBLY ON
OCTOBER 12, 2005**

Mr. Chairman,

We thank the Secretary-General for his reports on the agenda item "Follow-up to and Implementation of the Outcome of the International Conference on Financing for Development". We associate ourselves with the statement made by the distinguished representative of Jamaica on behalf of the Group of 77.

Mr. Chairman,

The Financing for development process is one of the major initiatives taken by the UN. It seeks to address the issue of making available finances on a viable and predictable basis to the developing countries in their efforts towards development and eradication of poverty. The Monterrey consensus also recognises that an international environment conducive to development is essential if developing countries are to achieve their development goals, least MDGs.

The Monterrey consensus, in the context of systemic issues, stresses the importance of enhancing the coherence and consistency of the international monetary, financial and trading systems. We believe that development cannot be achieved via piecemeal and uncoordinated policies. Coherence brings together strategies to harness all our resources in a coordinated and purposeful effort that can be sustained into the future. Complete policy coherence is neither theoretically conceivable nor practically feasible. It logically follows that a realistic goal would be to remove the most obvious inconsistency and try for greater coherence wherever a need for it is felt. This can be done by deepening the understanding of how different policies affect the development process and mobilising greater political consensus on the need for improving the way the decision-making system is organised. The peoples affected must participate in decision-making. Hence the need to address the democratic deficit in the decision-making processes to enhance their legitimacy, transparency, accountability and ownership. We welcome that the 2005 Summit Outcome Document recognises the fact

that enhancing the voice and participation of developing countries in the Bretton Woods institutions continues to remain a matter of concern. The United Nations will have to keep a vigilant eye on the process of reform of Bretton Woods institutions.

In the context of globalisation, there are at least four levels of interaction that impinge on development, namely, aid, trade, debt and investment. Governments are increasingly aware that their policies with respect to each of these affect the sum of their contribution to development efforts. Governments can either work on these synergistically, in favour of development, or at cross-purposes, thus negating any positive effects of their initiatives in a particular sphere. For the developing countries, the former is imperative.

One cannot go on talking of cancellation of debts but restrict this to IMF money and include recycled aid and debt; of growth without raising investment and savings rates through meeting ODA targets and using innovative sources of financing; of FDI where even physical infrastructure does not exist and public sector investment is required; of sustainable development without transfer of resources or transfer of environmentally-friendly technology; of the development dimension of the Doha Round without the principle of special and differential treatment; of achieving MDGs without achieving MDG 8. A comprehensive political direction to the Hong Kong WTO Ministerial Meeting which, in spite of broad political support across negotiating group, was not possible in the Outcome Document. This remains a vital necessity. That the UN has to give such direction and that such direction is heeded is shown by the impact of the Outcome Document on the Fund and Bank. It is time to bring down the barriers not just against trade but also the barriers to development erected in several industrial economies which deny opportunities for faster growth in developing countries.

The absence of substantial progress in infusing adequate amounts of additional ODA to meet the Millennium Development Goals has prompted exploration of various innovative financing mechanisms. There may be merit in front-loading the flow of aid for attainment of MDGs. However, it should be ensured that after the front-loading period, ODA does not fall below a pre-committed level. Hence the need for the establishment of robust and efficient mechanisms to track ODA flows; more so in the context of the recent debt relief initiative. We note with interest the innovative proposals for increasing ODA flow, including International Financing Facility (IFF) and solidarity contributions and exploring the option of global taxation. These proposals for innovative mechanisms continue to face several challenges. In this context, we stress the need to ensure that new mechanisms and innovative sources should not lead to greater burdens on developing countries or impact adversely on the need for greater voice and representation of the developing countries in the international financial institutions and the decision-making processes.

Mr. Chairman,

The debate on the global imbalances and its solution is continuing. These global imbalances, in our view, cannot be solved by independent or unilateral actions. It is, therefore, important to give shape to a coordinated approach involving major global players and, in this context, we recognise that the IMF can play an important role.

During the last two years, there has been a paradigm shift in respect of both the focus of surveillance as well as the instruments of surveillance, reflecting the efforts of the IMF to meet the challenges of increasingly integrated global economy. However, as regards strengthening of surveillance, despite possessing all available instruments, there are doubts about their effectiveness. It has been recognised that the origin of past financial crises were in the industrial countries and advanced financial centers. Much still remains to be done in improving the effectiveness and even-handedness of the Fund's bilateral surveillance across members. There is a growing body of opinion that the surveillance reports in the case of advance economy remains rather weak. There is a need to recognise that while the role of Fund surveillance in programme countries is curative, in non-programme countries it is preventive.

India recognises the need for an effective mechanism to assess the implementation of commitments and agreements reached at the Monterrey Conference and more so to build on the agreements reached at the 2005 World Summit. We are not convinced that an expanded bureau or the establishment of an executive committee, as proposed by the Secretary-General, is needed for the ECOSOC to engage with the institutions dealing with finance and trade at a time when the focus is towards greater democratisation. The real success of the UN lies in political management of the process. Inclusiveness, transparency and democratic decision-making are essential. It is the Economic and Social Council as a whole which must fulfill its task in an effective and efficient ways. 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. Greater synergy between the annual meetings of the 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 needed. The UN has to not only play a predominant role in setting the direction, but in delineating and guiding the international macro-economic agenda.

Thank you Mr. Chairman

BACK TO TABLE OF CONTENTS