STATEMENT BY MR. SANTOSH BAGRODIA, MEMBER OF PARLIAMENT AND MEMBER OF THE INDIAN DELEGATION, ON FINANCING FOR DEVELOPMENT AT THE HIGH-LEVEL DIALOGUE OF THE UNITED NATIONS GENERAL ASSEMBLY ON OCTOBER 24, 2007

Mr. President,

We welcome this opportunity to participate in the High-level Dialogue of the General Assembly on Financing for Development. This meeting is particularly opportune in the light of the Review Conference on the Implementation of the Monterrey Consensus on Financing for Development, to be held in Doha in 2008.

Mr. President,

Effective implementation of the commitments undertaken at Monterrey remains its weakest link, with commitments not being transformed into concrete action. This is particularly true of action with regard to 'systemic issues', which underpins progress in all other areas of the Monterrey Consensus. Real progress in implementing the Consensus has to involve a fundamental and comprehensive reform of the international financial and monetary architecture in order to address its democratic deficit, with enhanced voice and participation of developing countries in decision making and norm setting. Only then can we ensure a more conducive environment for addressing the challenges of financing for development. While a few steps have been taken, much more remains to be done.

Ensuring enhanced and predictable financial resource flows for developing countries in order to assist them in pursuing their development agenda is at the core of the Monterrey Consensus. Unfortunately, progress towards this basic objective has been limited. There is a clear recognition of the huge gap that exists between the resources required by developing countries to achieve Internationally Agreed Development Goals, including the Millennium Development Goals, and the projected resource flows. This is compounded by the fact that actual resource flows are far less than commitments undertaken.

A case in point is the Official Development Assistance [ODA]. While there has been an increase in private flows to some developing countries, the importance and need for ODA cannot be overemphasized. Private sector inflows do not effectively reach social sectors or infrastructure projects, and cannot eliminate the need for ODA or involvement of public sector investment. Impact of private flows on employment generation, which is recognized as an indispensable element of domestic resource

mobilization, has also been marginal in many cases. The Monterrey Consensus explicitly recognizes the role of the Sate in socio-economic development, and of public investment. Hence, the drop in ODA last year, and the projections of negative trends for future ODA flows, are a matter of grave concern. It is estimated that ODA will taper off in 2007 and will be no more than 0.36 per cent by 2010. We believe there is a need for a more robust and efficient monitoring mechanism to track ODA flows, and the implementation of Goal 8 of the Millennium Development Goals. The continuing, and increasing, flow of financial resources from developing countries to developed countries is another concern that we have been collectively unable to address. Further, counting debt relief that does not lead to release of resources for development on account of debt arrears, as aid, is another flaw in the current system. We hope the Development Cooperation Forum of the strengthened Economic and Social Council will take the lead in examining these important issues, including undertaking a periodic review of the policies of Bretton Woods Institutions.

Mr. President,

Enhancing trade is a crucial component in ensuring the sustainability of development. Developing countries still face severe market access restrictions. We reiterate the need for early and substantive progress at the Doha round of trade negotiations, based on the primacy of the development dimension. It is illogical to link the interests of subsistence farmers in developing countries with the subsidized and trade-distorting agricultural practices in many developed countries, or with the issue of Non-Agricultural Market Access. The overarching principles of "less than full reciprocity" and "special and differential treatment" remain categorical imperatives. In putting these into practice, I am happy to reiterate that by the end of 2007, imports from Least Developed Countries into India will face a zero tariff regime.

Reforms of the international financial architecture should include trade financing so that export credit agencies and multilateral development banks act in a counter-cyclical manner. We also need to both stimulate new and innovative sources of finance and ensure that they do not weaken the resolve of developed countries to meet their ODA targets and do not crowd out other forms of finance.

The issue of external debt, despite progress by a few countries, continues to pose significant challenges to developing countries, particularly low-income countries and Least Developed Countries. Hopes of releasing additional resources for development through debt cancellation have been realized only marginally since many countries had debt arrears. The pace of debt relief initiatives has also been very slow, and the impact of past debt-constrained structural adjustment policies have not been overcome. Moreover, debt relief measures have not addressed holistically the underlying problems, covering the need for greater policy space towards inclusive economic growth, better terms of trade, greater access to markets and investment flows. We believe that new measures for debt restructuring and mechanisms such as an international debt commission overseen by the United Nations through the Economic and Social Council, are required urgently to address the issue of external debt of developing countries.

Mr. President,

In conclusion, I would like to reiterate the importance of effective implementation of the Monterrey Consensus. We hope that the 2008 Review Conference would focus on strengthening implementation and follow-up.

Thank You.

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