14 February 2008

Statement of H.E. Mr. Srgjan Kerim, President of the 62nd Session of the General Assembly, at the First Review Session in the Financing for Development Preparatory Process: "Mobilizing Domestic Resources for Development"

Excellencies
Distinguished delegates

I would like to welcome you all to the first of the six Review Sessions on each chapter of the Monterrey Consensus that the General Assembly will hold over the coming months, to prepare for the Review Conference in Doha at the end of 2008.

The engagement of all Monterrey partners is critical on the 'road to Doha'. I would therefore encourage all stakeholders to actively contribute to the interactive discussions during the review sessions. They will form an integral part of our substantive preparations.

The review sessions should focus on progress made to implement the Financing for Development commitments, and also, the new challenges and emerging issues we face. The summaries of the sessions should prepare the ground for the Doha draft outcome document that I will circulate to Member States by the end of July.

Today, we will consider Chapter 1, "Mobilizing domestic financial resources for development".

Before I hand over to the two facilitators of the Financing for Development consultative process Ambassador Abdelaziz of Egypt and Ambassador LØvald of Norway, who will moderate the Panel, I would like to make a few remarks.

Excellencies,

The Monterrey Consensus strengthened the sense of shared purpose, and harnessed and combined the energies of the United Nations, other institutions, faith groups, NGOs, civil society and the private sector to create a global partnership for the international community to achieve the Millennium Development Goals.

At Monterrey in 2002, developing countries acknowledged primary responsibility for their own development. They committed to create sound fiscal, economic and social policies to that end and to promote good governance and the rule of law to achieve this. In return, donors agreed to support them through more and better aid, debt relief and fairer trade, and to give them a more equal voice in the international system.

We are now passed the midpoint to achieve the MDGs in 2015. Despite the commitments made, progress has been slow and uncertain, particularly in Africa. Some world leaders have described this situation as a ‘development emergency’ and called for decisive action.

Excellencies,

When I reported on ‘domestic resource mobilization’ during the High Level Dialogue on 23-24 October 2007, macroeconomic and fiscal management had improved in many developing countries.

This had created higher savings, investments and consumer demand. Also, an upward trend in expenditure on social programmes and reductions in extreme poverty. However, globally inequality was still rising.

Since then, the fall-out from the collapse of the US sub-prime mortgage market has spilt over into global equity and bond markets eroding confidence in the financial system.

In addition, high oil and commodity prices, particularly in the agricultural sector, and rising global imbalances are storing up inflationary pressures.

Global growth is now forecast to contract, most strongly in industrialised countries, to around 4 per cent.

There is a real risk that the ongoing financial turmoil could reduce demand in developed countries with significant spillovers into emerging markets and developing countries.

The key question for developing countries is whether: development prospects will be derailed by slowing economic growth in industrialised nations, high food prices and persistent global imbalances?

I am sure that many delegations will address these issues today.

Fortunately, unlike previous periods of global contraction emerging markets and developing counties have thus far continued to expand strongly – though growth is expected to ease from 7.8 per cent to around 7 per cent.

Growth in Africa during 2008 is projected to increase by one percentage point from 6 per cent in 2007. However, this may yet be revised based on the recent political instability in several African countries.

Overall, developing countries have benefited from strong domestic demand, better governance, more disciplined economic management, and in the case of commodity exporters, from high food and energy prices.

Over the last three years developing country economies have grown around three times faster that industrialised nations. The next two decades will continue to see a major shift in economic influence from developed to developing regions.

If this progress is to be sustained, there are two key long-term challenges that should be addressed.

First, unless growth is translated into human development that creates opportunities and benefits for all – growing inequality and the sheer scales of global poverty will create destabilising economic and political pressures in many countries.

For the ‘bottom billion’ as they are know, poverty is so sever that life is a struggle for survival. This group is political and economically disenfranchised and discriminated against. If globalisation leaves these people trapped in extreme poverty it will carry unacceptable costs in terms of human suffering, economic losses, political tension and potential security implications within and across borders.

Second, climate change is a major threat to long term prosperity as many Member States emphasised during the General Assembly’s Thematic Debate over the last three days.

Addressing this challenge is central to ensuring sustainable economic development and poverty reduction, but its policy implications also embrace issues of equity, ethics, human rights and security. Low income countries are most vulnerable, and the extreme poor will be most severely affected.

Scholars predict that 50 million people worldwide will be displaced by 2010 because of rising sea levels, desertification, dried up aquifers, weather-induced flooding and other serious environmental changes.

The Financing for Development process therefore has a special responsibility to support those countries most affected to adapt to climate change; and, to create incentives for investment in climate-friendly energy production, energy efficiency and new technologies to ensure that all the Millennium Development Goals are met - not at the cost of economic growth, but to achieve it.

Excellencies,

Addressing the twin challenges of inclusive and sustainable globalisation and global warming will require an unprecedented degree of international cooperation and goodwill.

I hope that we can begin this process today and during our subsequent meetings to ensure that Doha delivers fresh hope for the ‘bottom billion’.

However, we must not forget that international and regional organisations, in particular the World Bank and IMF, also have a special responsibly to address the development needs and ambitions of Middle Income Countries as well.

In light of the long-term challenges to the Financing for Development process, these institutions should reassess their strategies and develop new instruments and policies to support the mobilisation of domestic resources for development in these countries.

Thank you for your attention.