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Statement

by

India

on

Agenda item 18: Follow-up and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference: Fifth High-Level Dialogue on Financing for Development

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Mr. President,

Allow me to begin by thanking you for organising this high-level dialogue on Financing for Development.

We are just four years away from the MDG target year. While there has been progress in several areas, it is clear that many of the targets will remain unmet. A key element in our not being able to realize even the minimum goals that were set for those in the greatest need is the gap in development financing.

While gap in aid delivery and external finance has undermined the capacity of the developing world to meet their development aspirations, the global economic crisis has further burdened them with limited growth, higher unemployment and increasing poverty resulting in lower domestic resources targeted at development.

With global output continuing to show a downward trend in 2011, the prospect of developing countries increasing their exports, managing external debt and attracting foreign direct investments appear to be less encouraging.

It is, therefore, essential that growth-promoting policies are pursued to strengthen global economic recovery which in turn would allow countries to raise higher public revenues. In this regard, it is imperative that countries work towards financial inclusion and progressive tax policies but it is equally important to strengthen and democratise international tax cooperation and policy making.

Mr. President,

Foreign Direct Investment is important for financing development. However, its quantum, especially in the adverse economic circumstances of today, cannot be expected on its own to tackle poverty, hunger and disease in developing countries. FDI must also forge productive linkages with the wider local economy and be consistent with the broader objectives of Sustainable Development to have a meaningful impact.

International trade has long been seen as an engine of development, especially by developing countries that are dependent on exports. In recent times, however, significant risk factors including rising food and energy prices, increasing tariff and non-tariff barriers and other forms of export restrictions have negatively impacted trade prospects for developing countries.

Lack of market access, aid-for-trade and a skewed multilateral rule-based trading system continues to deny a level playing field to developing countries. If we wish to make trade a credible engine of inclusive growth, there is no getting away from a balanced and development oriented outcome of the DOHA Round. And while doing so, we must ensure that trade distorting factors including agricultural subsidies in developed countries are comprehensively addressed.

The debt situation in a large number of developing countries remains untenable, with their ratio of external debt to GDP being over 20% in some cases. This fundamental economic weakness has further retarded their development process. Much remains to be done on debt relief and debt sustainability.

Mr. President,

It is clear that developing countries, especially LDCs, LLDCs, SIDS and countries in Africa cannot meet their developmental challenges without external assistance. Official Development Assistance remains an important source of development financing for them for which there is no substitute.

Meanwhile, the gap in ODA financing continues to widen. In 2010, only five donor countries had met their ODA commitment of 0.7%. The aid flow to developing countries last year stood at US$ 129 billion, representing 0.32% of the total GNI of the donor countries and well short of the 0.7% mark. It is deeply worrisome that the global crisis is being made an excuse for not meeting existing commitments.

The commitment that the international community made in Monterrey and Doha of ensuring predictable development assistance including ODA, concessional financing and debt relief to developing countries and supporting nationally owned development strategies need to be fulfilled urgently.

India, on its part, is privileged and committed to share its development expertise with fellow developing countries. Under our flagship development cooperation platform, the Indian Technical and Economic Cooperation (ITEC) programme, we are extending capacity building and technical support to 161 developing countries with around 7400 vocational training slots on an annual basis.

Our development partnership in recent years has expanded to include lines of credit and grants to boost economic and trade partnerships. India has committed 1 billion US Dollars in lines of credit for the implementation of the Istanbul Programme of Action for the LDCs, in addition to 250 new training slots annually. We have also committed 5 billion US Dollars in lines of credit to Africa over the next three years and an additional 700 million US dollars grant assistance for human resource development, transfer of technology and building new institutions in consultation with the African Union.

Mr. President,

South-South financial and technical assistance may be expanding but we need to be clear that it can neither be a substitute for the North-South aid nor dilute those aid commitments. It is also important to recognize that developing countries, which are burdened with huge socio-economic challenges of their own, cannot be expected to meet the obligations of the developed world.

What is acutely worrisome is that the discourse on global aid architecture these days is increasingly focused on drawing developing countries into the North-South aid paradigm. South-South Cooperation cannot be viewed through the traditional "donor-recipient" prism of North-South development cooperation. It also cannot be subjected to the demand for harmonization of aid by donors, given its distinct paradigm and particularities. In this context, it is noteworthy that the recently concluded High Level Meeting on Aid Effectiveness in Busan has accepted that South-South Cooperation is different from North-South aid.

Mr. President,

Given the resource gap in financing for development, it is imperative that innovative sources of financing are explored. We, however, see innovative sources as additional to and not a substitute for ODA. There is, therefore, a need to have a common understanding on what constitutes innovative sources of financing. It is also important that these finances are disbursed in accordance with the priorities of developing countries and do not place an unfair burden on them.

Mr. President,

A comprehensive reform of the international financial architecture to address systemic issues lies at the heart of general implementation of the financing for development process. India has been working closely with like- minded countries to ensure greater voice and participatory space for developing countries in the international financial institutions. Much work, however, remains to be done to ensure that global economic governance and the development agenda complement each other.

The financing for development process, as embodied in the Monterrey Consensus and the Doha Review Conference, is crucial for attainment of our development aspirations. We must adhere to its principles in letter and spirit.

Thank you.