

**STATEMENT BY
THE HONOURABLE ABDULLAH BIN HAJI AHMAD BADAWI
AT THE MEETING ON FINANCING FOR DEVELOPMENT AT NEW YORK
14 SEPTEMBER 2005**

Mr. President,

Excellencies, Ladies and Gentlemen,

At the outset, allow me to thank you for convening this meeting, which is timely as it comes at a particularly critical juncture in the history of relations between nations.

2. Recent studies by the United Nations have shown that the gaps between the rich and the poor of the world have worsened over the past decade. Some 80 percent of the world's domestic product belongs to only those 1 billion people living in the developed world. Five billion people have to share the paltry balance of 20 percent. Inequalities, injustices and imbalances appear to be trailing the techno-economic globalisation process. Unless these inequalities are addressed effectively soon, there is every danger that a widespread feeling of injustice will prevail, which will cause turmoil in the world and create greater instability.

3. Therefore, the challenge facing us is all too real, and with far-reaching consequences. At the heart of the development problematique are three issues which need to be resolved, namely finance, good policies and an enabling international environment. If correct policies are the sinews of growth and an enabling environment is akin to clean surroundings, then finance can be said to be the lifeblood of development. The situation regarding financing for development is critical. That this meeting has to be convened is indicative of the fact that the promises made at the 2002 International Conference on Financing for Development, which saw the adoption of the Monterrey Consensus, have remained unfulfilled.

4. There are hopes however, that we are inching, albeit at a glacial pace, towards the fulfilment of the agreements contained in the Monterrey Consensus. According to the O.E.C.D, last year, the level of O.D.A increased to US\$78.6 billion, which represents a 4.6% rise in real terms from 2003 to 2004, a little improvement over the 4.3% increase from 2002 to 2003. This figure, however, represents a mere 0.25% of the combined gross national income of countries members of the OECD's Development Assistance Committee (DAC). We are therefore still far away from achieving the target of 0.7% set more than 30 years ago, a target reaffirmed in Monterrey.

5. Indeed, of the 22 D.A.C member countries, only 5 have achieved the target of 0.7% O.D.A. We do note the increasing willingness of many countries, especially those in the E.U, to set clear timelines on reaching the 0.7% target. Malaysia welcomes this development and would like to encourage more countries to do the same.

6. To ensure that the political will to achieve the target continues to be strengthened and the momentum generated is not lost, I believe that it is time to establish an effective mechanism to monitor O.D.A flows. A small unit within the U.N can be established for this purpose. The work of this unit need not begin from scratch. It can draw upon the good work of the D.A.C, particularly its peer review process, as well as that of the Working Party on Aid Effectiveness and Donor Practices. The linkage can be formalized in a memorandum of understanding between the U.N and the O.E.C.D member countries. An agreement to establish this proposed monitoring unit will be a good indicator of the long term intentions of the donor countries.

7. I believe there is a need to put the whole issue of quantum of aid in perspective. Actually, the burden of aid provision is miniscule for the donor countries if we take into account the amounts these countries spend on such items as the arms trade or agricultural subsidies. There is also a need to compare the level of O.D.A with the net transfer of resources from the recipient to the donor countries in various ways, including interest rate payments on debts and repatriation of profits. There is furthermore the issue of the type and quality of assistance. I hold the view that Official Development Assistance should exclusively consist of net foreign aid for direct developmental purposes only.

7. We welcome new and innovative ideas of securing international funding for development related purposes. We note, for example, the interesting proposal by France to impose levies on air tickets as a means of securing funding to combat HIV/AIDS, malaria and tuberculosis. Malaysia supports the spirit in which these proposals have been made.

8. It is certainly heartening that in many of these initiatives, such as the South Fund for Development and Humanitarian Assistance, the Action Against Hunger Initiative and the World Solidarity Fund, developing countries themselves have come to the fore in making contributions. Developing countries have also shown an increasing willingness to make contributions bilaterally. This trend should be encouraged.

9. However, the bulk of the financial burden must fall upon the developed countries. More must be done to ensure that the 0.7% target is met, and effected in a predictable manner.

Mr. President,

10. For all the money in the world, growth and development is not possible when the environment is not favourable. O.D.A is certainly not the answer to all development needs of the developing world. Structural problems, the main cause of poverty, require structural solutions. We need to address other sources of financing for development, most particularly trade. While O.D.A is a requisite for assisting the more unfortunate to break the vicious circle of poverty, it is the provision of the

capacity to trade that can best ensure a more permanent, instead of a transitory solution.

11. Trade must be more fair and the trading system must be made more equitable. To achieve this, there must be strengthening, and not mere clarifying, of the provisions relating to special and differential treatment for developing countries. We must expeditiously resolve the issue of market access for goods which developing countries are most competent to produce. Failure to do so may result in greater impoverishment of the poorest, and regression for those countries which have seen progress. We must not allow this to happen.

Mr. President,

12. All this cannot detract from the fact that good policies, which are the sinews of development, need to be put in place. In this regard, it is the developing countries themselves who should bear the final responsibility for their own development. Money from outside, while important, will never be sufficient. We also need to combat corruption, practise good governance and implement effective developmental programmes. Most importantly, we need to improve the quality of our human resources through capacity building, on our own or with assistance from outside.

13. Early this year, Malaysia took the initiative to launch a Capacity Building Programme for the O.I.C Countries. This self-help programme will bring together the untapped economic potentials in certain OIC countries, the financing capabilities of the Islamic Development Bank (IDB) and the expertise possessed by other members of the O.I.C. In this way, the more economically advanced O.I.C countries will be able to invest in the poorer O.I.C member countries, supported by the I.D.B. Investing in these countries would result in the building of their capacities through the generation of employment and transfer of expertise, generation of profits for the investor, increased business for the I.D.B and deepening of the economic links between member states of the O.I.C. I am happy to note that under the first phase of the programme, projects in three countries, namely Sierra Leone, Mauritania and Bangladesh, are well under way towards full implementation. Discussions are currently ongoing on the second phase of the programme. We do hope that this programme will gain momentum and bring about a win-win situation for all concerned.

14. Mr. President, I shall end my intervention by imploring upon all countries, both developed and developing, to fulfil their obligations as contained in the Monterrey Consensus. Unless we do so, we cannot have any realistic expectation of meeting the Millennium Development Goals of sustainable development, including the eradication of poverty from the face of this earth.

Thank you.