21. *Requests* the Secretary-General, in close cooperation with the Bretton Woods institutions and other relevant bodies of the United Nations system, to closely follow the Heavily Indebted Poor Countries Debt Initiative and to report to the General Assembly at its fifty-second session on the implementation of the Initiative and of the present resolution.

86th plenary meeting
16 December 1996

51/165. Net flows and transfer of resources between developing and developed countries

The General Assembly,

Reaffirming its resolutions 47/178 of 22 December 1992 and 49/93 of 19 December 1994,

Taking note of the *World Economic and Social Survey, 1996*,[5] in particular chapter III thereof, entitled "The international economy", and the report of the Secretary-General on the net transfer of resources between developing and developed countries,[6]

Recognizing that, while developing countries have primary responsibility for their own development, there is continuing need for the international community to give strong support to their efforts to solve their economic and social problems through, *inter alia*, the promotion of a favourable international economic environment,

Noting that for many developing countries, especially those in Africa and the least developed countries, official development assistance remains an important source of financial resources to support their development efforts,

Recognizing the increasing role of private investment and that the completion of the Uruguay Round of multilateral trade negotiations was a major step by the international community towards the expansion of the rule-based international trading system, advancing liberalization in international trade and creating a more secure trading environment,

Noting that capital flows, in particular private capital flows, to developing countries have been increasing strongly but that not all countries have benefited from such flows and that short-term capital movements can be unpredictable,

Noting also that the future course of net transfer of resources to developing countries depends on a growth-oriented and supportive international economic environment and on sound domestic economic policies,

Stressing the unpredictable character of short-term private capital movements, which are particularly subject to interest-rate variations and other possible fluctuations in the domestic and international economic environment,

Noting that in the 1990s the net transfer of resources from the Bretton Woods institutions to developing countries has been negative in real terms, although it has been positive to countries in Africa and to certain countries in Asia, and noting also that the net financial transfer from regional banks to developing countries, taken together, has been generally positive in the 1990s, although it became slightly negative in 1994 and 1995,

Expressing its concern at the recent decline in the overall level of official development assistance,

Bearing in mind that all countries, particularly the major industrialized countries, which have significant weight in influencing world economic growth and the international economic environment, should continue their efforts to promote sustained economic growth and sustainable development, to narrow imbalances, and to cooperate with the developing countries so as to enhance their ability to address and alleviate their major problems in the areas of money, finance, resource flows, trade, commodities and external indebtedness,

1. *Stresses* the need to increase efforts to ensure the flow of substantial resources to developing countries through, *inter alia*, an expansion of multilateral credits, the promotion of foreign direct investment and an increase in concessional and non-debt resources;

2. *Also stresses* that private capital flows are an important external source of financing for sustainable development and that attracting such investment requires, *inter alia*, sound fiscal and monetary policies, accountable governmental institutions and transparent legal and regulatory regimes;

3. *Reaffirms* the pressing need of developing countries for official development assistance, especially those in Africa and the least developed countries, and urges countries to strive to fulfil, consistent with commitments in international agreements, the agreed target of 0.7 per cent of the gross national product of developed countries for official development assistance to the developing countries, and the target, where agreed, of 0.15 per cent of the gross national product of the developed countries for official development assistance to the least developed countries as soon as possible;

4. *Stresses* the need to mobilize public support for development cooperation, *inter alia*, through a strategy based on partnership between developed and developing countries which incorporates, as appropriate, mutually agreed goals for development;

5. *Also stresses* the importance of the role of the International Development Association as a highly concessional lending arm of the World Bank for promoting development in eligible developing countries, and urges donors fully to honour their commitment thereto, in particular to the eleventh replenishment of the Association, and to secure its adequate future funding;

6. *Appeals* to all countries to continue to cooperate and work together on issues relating to the Enhanced Structural

[5] United Nations publication, Sales No. E.96.II.C.1.

[6] A/51/291.

Adjustment Facility, with a view to arriving at a self-sustained facility, including the provision of bilateral contributions; if the need arises, the International Monetary Fund should consider optimizing its reserves management in order to facilitate financing of the Facility;

7. *Urges* all international financial institutions and donor countries, as appropriate, to continue their own efforts to improve the quality and effectiveness of their lending, *inter alia*, through thorough assessment of the contributions to sustainable development of projects financed, effective monitoring and evaluation, and increased concessionality, where appropriate;

8. *Requests* the Secretary-General to continue to monitor developments in the net flows and transfer of resources between developing and developed countries and to utilize all relevant reports, such as those provided by the United Nations Conference on Trade and Development, the World Bank, the International Monetary Fund and the regional development banks, and to report thereon in the *World Economic and Social Survey, 1997*, and also requests the Secretary-General to report, in close cooperation with the United Nations Conference on Trade and Development and the Bretton Woods institutions, to the General Assembly at its fifty-third session on the implementation of the present resolution.

86th plenary meeting
16 December 1996

51/166. Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions

The General Assembly,

Reaffirming its resolution 50/91 of 20 December 1995, entitled "Global financial integration: challenges and opportunities", and Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

Expressing concern that a number of developing countries have become more vulnerable, in the course of liberalizing their external economic and financial regimes, to the volatile fluctuations of private capital flows in international financial markets, and stressing the importance at the national level in the countries concerned of a favourable climate for private financial flows, sound macroeconomic policies and appropriate functioning of markets,

Welcoming the initiative the Bretton Woods institutions have taken to address the question of the volatility of capital flows,

Recalling its resolution 50/227 of 24 May 1996, annex I, section VIII, on the relationship between the United Nations and the international finance and trade institutions, as well as other relevant resolutions,

1. *Recognizes* that technological advances have reduced the costs and increased the speed of international financial transactions and that, as policy liberalization has facilitated international capital flows, financial institutions have increasingly added foreign assets to their portfolios, paving the way towards the phenomenon of global financial integration;

2. *Stresses* that global financial integration presents new challenges and opportunities for the international community and that it should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions;

3. *Notes* that the globalization of financial markets can generate new risks of instability, including interest rate and exchange rate fluctuations and volatile short-term capital flows, which require all countries to pursue sound economic policies and to recognize the external economic impact of their domestic policies;

4. *Stresses* that sound domestic macroeconomic policies of each country in regard to promoting macroeconomic stability and growth are primary elements for determining private capital flows, and that the coordination of macroeconomic policies, where appropriate, and a favourable international economic environment play an important role in reinforcing their effectiveness;

5. *Also stresses* that implementation of sound domestic monetary, fiscal and structural policies over the medium term, including ensuring sound banking systems, is required to promote financial and exchange rate stability;

6. *Further stresses* that Governments and international financial institutions have a contribution to make to reducing the risks of volatility of short-term capital flows and to promoting stability in domestic financial markets, within their respective competences;

7. *Recognizes* the progress made in improving risk management and transparency in international financial markets, such as the International Monetary Fund's improved surveillance capacities, standards for the provision of economic and financial information to markets and the creation of an emergency financing mechanism;

8. *Also recognizes* the progress made in establishing the new arrangements to borrow, which would effectively double the resources currently available to the International Monetary Fund under the General Arrangements to Borrow and improve the Fund's ability to assist members in circumstances that could have systemic implications;

9. *Recalls* that, in the context of global financial integration, further efforts have to be made, at both the national and international levels, to strengthen international economic cooperation;

10. *Recognizes* that a number of developing countries have been able to take advantage of the globalization of finance, and notes the need for the expansion of private capital flows and for broader access by all developing countries to