United Nations Nations Unies

THE PRESIDENT OF THE GENERAL ASSEMBLY

LE PRESIDENT DE L'ASSEMBLEE GENERALE

Financing for Development

The General Assembly decided that the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus will be held in Doha, Qatar, in the second half of 2008. The Follow-up Conference is particularly important as we have now passed the mid-point to achieve the Millennium Development Goals in 2015.

The review conference will address progress made, reaffirm goals and commitments, share best practices and lessons learned. The conference should also identify obstacles and constraints encountered, actions and initiatives to overcome them and important measures for further implementation, as well as new challenges and emerging issues, such as adapting to climate change.

The General Assembly held its third High-level Dialogue on Financing for Development on the overall theme "The Monterrey Consensus: status of implementation and tasks ahead" on 23-24 October 2007. The Dialogue provided a substantive contribution to the preparation of the Doha conference.

More information can be found at Financing for Development Office, Department of Economic and Social Affairs, United Nations.

THE PRESIDENT
OF THE
GENERAL ASSEMBLY

28 July 2008

Excellency,

I am writing to you regarding the preparations for the Financing for Development Review Conference in Doha from 29 November to 2 December.

Firstly, I would like to commend you and your delegation for the substantive and engaging approach that you have taken to this important matter throughout the 62nd session. We set ourselves a demanding schedule in order to review each of the chapters of the Monterrey consensus in detail and I am grateful for your support. I would also like to use this opportunity to thank the Facilitators, Ambassador Maged A. Adbelaziz of Egypt and Ambassador Johan L. Løvald of Norway, for chairing each of the review sessions including the hearings with the private sector and civil society.

Based on the agreed timetable, in consultation with Member States and groups of member States, and all institutional stakeholders, the Facilitators with support from the Financing for Development Office, presented me with the first draft of the Doha Outcome Document. This document is attached to this letter so that your delegation may begin to develop your position on the outcome of the Review Conference in advance of the high-level official launch of negotiations at a meeting of the General Assembly on 8 September. The General Assembly will then continue with informal consultations on the draft on 9 and 10 September.

Finally, I look forward to the continuation of the positive atmosphere that has prevailed throughout the preparatory process with a view to reaching an initial agreement on the draft outcome document.

Please accept, Excellency, the assurances of my highest consideration.

Srgjan Kerim

All Permanent Representatives and
Permanent Observers to the United Nations
New York

25.07.08

DRAFT

DOHA OUTCOME DOCUMENT
on Reviewing the Implementation of the Monterrey Consensus

Introduction: reaffirming goals and commitments of the Monterrey Consensus.

1. We the heads of State and Government, and representatives of member states of the United Nations gathered here in Doha, Qatar, from November 29 to December 2 of 2008, almost seven years after the landmark conference held in Monterrey, reiterate our resolve to address the challenges of financing for development in the spirit of global partnership and solidarity. We once again commit ourselves to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.

2. We reaffirm the Monterrey Consensus in its entirety and in its integrity and recognize that mobilizing financial resources for development and the effective use of those resources are central for a global partnership for development in support of the achievement of the internationally agreed development goals (IADGs), including the Millennium Development Goals (MDGs).

3. We recognize that the international economic context has changed in profound ways since we met in Monterrey. While assessing progress made, sharing best practices and lessons learned, we have identified obstacles and constraints encountered. We are determined to take actions and initiatives to overcome these obstacles and devise important measures for further implementation.

Mobilizing domestic financial resources for development

4. In the years following Monterrey, a number of developing countries have made significant progress in the implementation of development policies in key areas of their economic frameworks, contributing to increased mobilization of domestic resources and higher levels of economic growth. We will continue to build upon this progress and endeavor to strengthen an investment climate that promotes entrepreneurship and facilitates establishing and doing business. More efforts are also needed by the international community to support such an environment.

5. We will strive to ensure the necessary internal conditions for mobilizing public and private savings and sustaining adequate levels of productive investment. Good governance is essential for effectively mobilizing domestic financial resources. We will enhance our efforts to overcome obstacles to strengthen good governance at all levels while keeping in mind countries' different characteristics and specificities and that national ownership is critical.

6. Human resources are the most precious and valuable asset that countries possess. The realization of decent work for all, including investment in human capital through better designed and better funded health and education policies, coupled with better social protection and active labor market policies, is essential. Such policies have begun to show results, but increased efforts are needed.

7. To take advantage of the benefits of globalization while minimizing its costs, opening the economy must also be accompanied by sufficient policy space and domestic measures that enhance resilience, in particular in the macroeconomic and financial areas. We will seek to enhance counter-cyclical macroeconomic policies to strengthen the domestic financial sector. Monetary policies should aim for low and stable inflation targets, while seeking to support employment policies.

8. Fiscal reform is key to enhancing macroeconomic policies and mobilizing domestic public resources. We will strive to modernize budgetary processes and enhance transparency of public finance management including gender responsive public financial management. The development of a sound and wide-ranging financial sector is central to the mobilization of domestic financial resources and should be an important component of national development strategies. We will strive for diversified, well regulated, inclusive financial systems that promote savings and channel them to sound projects and initiatives, including in particular in the private sector. We will aim to increase the domestic supply of long-term capital and promote the development of domestic capital markets, including through multilateral, regional, sub-regional and national development banks.

9. To achieve equitable development and foster a vibrant, inclusive private sector, a financial infrastructure that provides access through a variety of products and services to small and medium businesses, targeting women, rural areas and the poor is vital, including microfinance and the financing of small and medium-size enterprises. To achieve gender equality, consideration of gender issues within areas such as macro/micro economic policies and labour policies should be undertaken. We will endeavor to address and remove gender biases in labour and financial markets as well as, *inter alia*, in the ownership of assets and property rights.

10. We will strengthen efforts to increase tax revenues through more effective tax collection and modernization of tax legislation including through simplification of the tax system, broadening of the tax base, and strongly combating tax evasion. To support individual country efforts in these areas, it will be important to enhance international cooperation in tax matters and broaden participation in the development of international tax norms and rules. We will consider strengthening the United Nations Committee of Experts on International Cooperation on Tax Matters by upgrading it to an intergovernmental body.

11. Capital flight is a major hindrance to the mobilization of domestic resources for development and efforts should be strengthened to address the various factors that contribute to this. It is vital to address the problem of illicit financial flows. Additional measures should be sought to prevent the transfer abroad of stolen assets and to assist in

their recovery, as well as to prevent capital flows that have criminal intent, such as the financing of terrorism.

12. Corruption is a phenomenon that can affect developed and developing countries, and the public and private sectors, alike. The Monterrey Consensus underlined that fighting corruption at all levels is a priority. We are thus determined to combat corruption in all of its manifestations. This requires strong institutions at all levels, including the strengthening of the legal and judicial systems. We welcome the increased commitment of Member States that have already ratified or acceded to the United Nations Convention against Corruption, and in this regard urge all Member States that have not yet done so to consider ratifying or acceding to the Convention. We call upon all States parties to fully implement the Convention as soon as possible.

13. While the pursuit of economic resilience is important for all countries, it requires constant and more strenuous efforts in small and vulnerable economies. These national efforts need to be reinforced by international support for capacity building including through technical assistance and through United Nations operational activities for development. In development cooperation policies we will pay special attention to the efforts and needs of LDCs, LLDCs and SIDS. Similarly, special attention is needed to support post-conflict countries in their rebuilding efforts.

Mobilizing international resources for development: foreign direct investment and other private flows

14. We welcome the rise in private international capital flows to developing countries since the Monterrey Conference. At the same time, we will try to substantially broaden the number of countries and sectors receiving such flows. Special efforts should be undertaken at the national, bilateral and multilateral levels to increase private capital flows, particularly foreign direct investment to Africa, LDCs, LLDCs and SIDS.

15. Developing countries and countries with economies in transition should enhance efforts to mobilize investment in transport, communications and other physical and social infrastructure that serve to strengthen their business environment. The support of bilateral and multilateral partners in this task is critical. There is also a need to enhance the tools used by multilateral and bilateral donors to mitigate the risks faced by business investors in critical sectors in developing and transition economies and to devise ways by which ODA can play a catalytic role in the mobilization of private flows. We will also strive to enhance the stability of private capital flows, through encouraging the implementation of counter-cyclical policies, and also through making efforts to promote South-South investment.

16. Experience of recent years has shown that providing an enabling business environment is fundamental to fostering domestic and foreign private investment. We will continue to put in place transparent, appropriate and enforceable regulations and laws for doing business, improve the availability of finance for enterprise, upgrade the skills and technical capabilities of human resources and facilitate public/private consultative

mechanisms. Developed countries can also encourage private flows to developing countries through bilateral investment treaties, tax treaties and other tax measures. We call on bilateral and multilateral agencies to continue assisting interested countries to formulate policies and measures to attract international private capital flows, including through public/private partnerships.

17. The quality of foreign direct investment plays an important role in enhancing the development impact of these investments. We will strengthen efforts to maximize linkages with domestic production activities, the transfer of technology and the training of the local labour force. We will make stronger efforts to promote corporate social responsibility and good corporate governance and seek to ensure that adequate labour and environmental protection standards are upheld everywhere. We encourage the work undertaken in the United Nations, including the Global Compact, in this regard. Measures should be devised to avoid over-exploitation of natural resources, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.

18. We recognize that technology transfer is one of the key factors through which foreign direct investment can impact development. Such transfer can also be facilitated by the host country's pro-active innovation and transfer policies. Public-private partnerships can play a crucial role in implementing those policies, as well as in fostering a dynamic small and medium-size enterprise sector. Many lessons have been learned on how these elements should be carefully taken into consideration in the formulation of national development strategies.

19. International financial institutions, particularly multilateral development banks, should continue to enhance their efforts to provide incentives for private flows to developing countries and transition-economy countries. At the same time, these institutions should continue to explore innovative modalities to facilitate additional private flows to such countries.

20. We are cognizant of the fact that the perception of a country's current economic conditions and prospects determine to a large extent the international private financial flows that it attracts. The provision of objective, high quality information is vital for informed decisions by potential foreign investors. We will continue to strengthen modalities, including through multilateral agencies' efforts, to enhance and improve information regarding a country's economic situation and outlook. The information provided by credit rating agencies, which is also useful for public sector policy makers, should thus be based on broadly accepted, objective and transparent criteria.

21. We will continue to explore measures to lower the cost of workers' remittances through increased cooperation between the originating and receiving countries. We will explore avenues for taking fuller advantage of the opportunities provided by remittances to not only satisfy families' consumption needs but also to foster broader access to financial

services and savings and promote development goals. We also need to be mindful that these are private flows over which governments do not have direct control.

International trade as an engine for development[1]

22. We recognize that international trade is inextricably linked to economic growth and development and that a universal, rule-based, open, non-discriminatory and equitable multilateral trading system as well as meaningful trade liberalization, can substantially stimulate development worldwide. We are encouraged to see that international trade, especially the trade of developing countries and countries with economies in transition, has expanded at a fast pace in the current decade. Trade among developing countries has now become one of the most dynamic elements in world trade. However, a considerable number of developing countries, including many LDCs, have remained at the margins of these developments.

23. A major challenge persists. The Doha Round of multilateral trade negotiations has not been concluded, jeopardizing a continued dynamic expansion in the exports of developing and transition economy countries, as well as adding to the risk of a slowdown in the global economy. We will strive for a successful, early and truly development-oriented conclusion of the Doha Round that ensures fair, balanced, and equitable market-opening commitments.

24. We recognize the need to make progress in key areas of the Doha Development Agenda that are of interest to developing countries, *inter alia*: increased market access for manufactures and agricultural products, substantial reduction and elimination of subsidies, facilitating technology transfer, effective provisions for special and preferential treatment, opening of markets to services from developing countries, and affording sufficient policy space.

25. We acknowledge that the optimum pace and sequence of liberalization depends on the specific circumstances of each country, and that its costs and benefits must be weighed carefully in each case. It must be complemented by expansion of productive capacities, development of human resources and basic infrastructure, access to technology and adequate safety nets. A positive impact of liberalization on development also depends to a large extent on appropriate actions, including predictable access to markets, eliminating abuse of anti-dumping measures, reduction of tariffs and non-tariff barriers and avoidance of measures that distort trade.

26. We recognize that LDCs will require special measures and international support to allow for a more gradual and effective adjustment to an open and competitive global economy. International financial institutions, including regional development banks, should provide them with all possible assistance in this regard. We renew the call to developed countries and other countries in a position to do so to provide duty-free and quota-free access to all products from LDCs. We will also redouble efforts to provide technical assistance to low-income developing countries who request it, in order to enable them to participate

[1] This section will be reviewed in light of ongoing negotiations.

effectively in the multilateral trade system, including through the Enhanced Integrated Framework and by providing support to allow LDCs to participate effectively in international trade negotiations.

27. Aid for Trade is a vital component of the measures required for developing countries to effectively benefit from the Doha Round. Aid for Trade is not a substitute for a successful outcome of the DDA. We will strive to substantially enhance Aid for Trade to support efforts of recipient countries to take advantage of new trade opportunities and assist them in addressing trade liberalization adjustment measures. A critical aim of Aid for Trade should be to enhance competitiveness and ownership while aligning it with the respective national development strategy. The commitments by individual donors relating to Aid for Trade should be fully implemented.

28. Broader and effective participation of countries in the international trade regime is a key objective of the Monterrey Consensus. We will endeavour to facilitate the accession of developing countries and countries with economies in transition that apply for membership in WTO.

29. We recognize that regional integration as well as bilateral trade agreements can be important instruments to expand trade. We should ensure that these agreements promote long-term development and become “building blocks” in the multilateral trading system. International support to South-South cooperation in trade and other areas can be catalytic in strengthening and consolidating regional and sub-regional integration. We will seek to enhance that support, including through triangular cooperation.

30. We welcome the outcome of UNCTAD XII held in Accra, Ghana 20 – 25 April 2008. UNCTAD has an important role to play as an institution with universal membership and mandate to serve as the focal point of the United Nations for the integrated treatment of trade and development and the interrelated issues of finance, investment, technology and sustainable development.

Increasing international financial and technical cooperation for development

31. We reaffirm the crucial role of Official Development Assistance (ODA) in supporting development and facilitating the achievement of the IADGs, including the MDGs. ODA is particularly important for the countries of Africa, LDCs, LLDCs and SIDS, and it also often constitutes a critical element in peace building efforts. We are encouraged by good practices carried out to strengthen the partnership between developing and developed countries based on the principle of national ownership and leadership.

32. We are encouraged by the recovery of ODA from its declining trend before the Monterrey Conference. Since the Conference, there has been a significant turn-around in the overall volume of aid flows. ODA in real terms doubled between 2001 and 2007. However, we note with concern the overall decline in ODA in 2006 and 2007 and that a significant part of this doubling of aid in the previous period comprised growing debt

relief. The aid absorptive capacity of developing countries has increased significantly as a result of their improved domestic policies. We are encouraged that some donor countries have already made ODA commitments, such as the EU for 0.56% of GNI for ODA by 2010 and 0.7 % by 2015. We also welcome reaffirmed targets by the G-8 countries in Hokkaido, Japan, to increase their ODA to $130 billion by 2010. The full implementation of these targets is vital to substantially boost the resources available to push forward the international development agenda.

33. We recognize that major efforts are still needed for achievement of the IADGs, including MDGs. Developing countries must formulate and implement effective national development strategies and the international community must increase its support substantially. To reach their agreed timetables, developed countries should take urgent measures to raise the rate of increase of aid disbursements. It is equally important that countries that have not already formulated timetables or reached 0.7 % of GNI as ODA do so. We once more urge all developed countries that have not yet done so to make definite efforts to achieve the target of 0.7 % of GNI as ODA to developing countries, including the specific target of 0.15 % to 0.20 % of GNI for LDCs, by 2010. Addressing the current high food and energy prices and implementing climate change-related actions carries a deep developmental connection and makes it ever more urgent to fully meet all the pre-existing cooperation targets. This will require considerable additional resources.

34. We also welcome increasing efforts by recipient and donor countries to make ODA more effective. The High-level Forums on Aid Effectiveness, which produced the 2005 Paris Declaration and this year's Accra Agenda for Action, are critical steps forward in this regard by stressing the fundamental roles of ownership, alignment, harmonization, managing for results and mutual accountability. Full implementation of these principles should contribute to more effective and efficient aid delivery and greatly improved outcomes. We will similarly enhance overall efforts to improve the quality of aid, including by untying aid, increasing budget support, streamlining conditions, and making aid more predictable.

35. We note that the aid architecture has significantly changed in the current decade. New official and non-official donors and novel partnership approaches, which transcend the traditional donor-recipient modality, have emerged. The flow of resources involved continues to increase significantly. This underscores the need for alignment, harmonization, coordination and ownership. We shall pursue efforts, both in the United Nations and in collaboration with other relevant institutions, such as, in particular, OECD/DAC, to advance cooperation among this growing community of partners. We shall also strive to provide technical assistance for the incorporation of good aid policies by recipient countries in their national development strategies.

36. This increasing complexity of aid flows and the large number of new donors have made the task of tracking and assessing such flows more difficult. There is a growing need for more concrete and universal ways to keep track of aid quantity, quality and effectiveness, giving due regard to already existing schemes and peer review mechanisms. We invite

the United Nations system, the World Bank, regional development banks and OECD/DAC to consider developing a joint proposal in this regard.

37. Aid can play a catalytic role in removing constraints to growth such as enhancing social and physical infrastructure, technological innovation, empowering women and combating pockets of poverty. Aid can also be an important factor in triangular cooperation schemes that reinforce South-South cooperation. We will explore new and more effective assistance modalities to enhance the catalytic role of aid, in particular for LDCs. We will also seek innovative ways of better targeting middle-income countries. Regional cooperation could also be strengthened as an effective vehicle for mobilizing resources for development, *inter alia* by strengthening and developing regional financial institutions to assist in upgrading critical sectors.

38. We welcome the considerable progress made since the Monterrey Conference in the area of innovative sources of finance. Due to the initiatives by the "Group for Action against Hunger and Poverty" and, later, the "Leading Group on Solidarity Levies", a number of new innovative financing sources have become a reality, or are in an advanced stage towards implementation, such as, *inter alia*, the International Financing Facility for Immunization (IFFIm), advance market commitments, and the airline ticket solidarity levy, which finances the international drug purchase facility UNITAID to help combat AIDS, tuberculosis and malaria. We acknowledge that these funds should be additional to, and not a substitute for, official development assistance and they should not unduly burden developing countries. We recognize the value of continuing consensus-building on current initiatives while further exploring and evaluating the validity of other proposed innovative sources of finance by governments, non-governmental organizations and civil society.

39. We underline the importance of the role of the United Nations system through its operational activities in delivering effective capacity-building support for development with long-term sustainability. This is particularly important for LDCs. Given that the level of core funding inevitably affects the ability of the United Nations system to fulfill this mandate, we urge donor countries and other countries in a position to do so to substantially increase their voluntary contributions to the core/regular budgets of the United Nations development system.

40. The multilateral development banks, including the World Bank, regional and sub-regional development banks and other financial institutions, have proven that they constitute a key source of financing for development. They provide strategic resources in the form of technical assistance for areas such as institution building and promotion of good governance practices, and play an important role in enhancing the integration of developing countries in the world economy and in supporting regional integration and other cooperation efforts. We will endeavor to strengthen these institutions and increase their funding as part of the measures for further implementation of the Monterrey Consensus.

External debt

41. We welcome the progress that debt indicators of developing countries as a whole have shown since the adoption of the Monterrey Consensus. Debt relief under HIPC and MDRI initiatives and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives such as the World Bank/IMF's Debt Sustainability Framework, have contributed to achieving such progress. Borrowing countries have also enhanced their debt management programmes and many have built reserves, thus reducing vulnerabilities.

42. We recognize that important challenges remain. Debt service in a considerable number of low and middle-income countries is still too high. The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures. There is concern about increasing vulture fund litigation. In addressing these situations, we need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is the ultimate objective of debt resolution and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; to promote responsible lending practices, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.

43. The number of creditors to developing countries and countries with economies in transition has grown, in light of an increase in new official and private creditors. We will seek to enlarge creditor coordination to reduce risks of debt overhang in borrowing countries and to improve interaction among all relevant actors during debt renegotiations. In those renegotiations, we agree that all relevant actors will pay special attention to the need to respect debtors' policy space, in particular the room for investments in infrastructure, and measures linked to attaining the IADGs, including the MDGs.

44. Technical assistance to address debt problems can be crucial for many countries, in particular those facing acute structural problems, those seriously affected by climate change and those emerging from conflict. In spite of existing debt relief initiatives, many developing countries still continue to face obstacles to achieving debt sustainability and might require special assistance. We underline that sound macro-economic polices and public resource management are key elements in reducing national vulnerabilities. We will redouble efforts to provide them with the needed technical help, including specific legal training to help countries faced with external debt litigation. The Bretton Woods Institutions and UNCTAD should continue to play a major and increasing role in this field. Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analyzing debt sustainability. Increased transparency and information-sharing are needed in the choice of debt service scenarios and construction of debt indicators, including sufficient

consideration of the domestic public and private debt situation and achieving development goals. Also, for these countries, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability.

45. We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt and this is creating new vulnerabilities. We note the need to address this situation, including by improved data collection and analysis.

46. We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad-hoc forums with technical support from the BWIs and the United Nations, to consider *inter alia*, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.

Addressing systemic issues; enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

47. Despite several efforts, progress in addressing systemic issues since Monterrey has been limited. We resolve to undertake more decisive and timely steps to improve the functioning of the international economic system to promote global growth and to better support development efforts. This is crucial for an integrated implementation of the Monterrey Consensus and to help achieve the IADGs, including the MDGs.

48. The globalization process has continued to accelerate, bringing closer economic links coupled with significant economic benefits to many countries and peoples. However, this process is leaving behind a considerable number of countries as well as individuals. This implies new challenges and demands on the global economic institutions and their coherence and governance systems.

49. Countries should continue to enhance macroeconomic policies and strengthen their financial system. It is equally important that international development institutions and developed countries tailor their international economic policies more in line with the needs of both low-income and middle-income countries. Improved coordination among the relevant ministries and institutions in both developed and developing countries, remains necessary for a coherent formulation and effective implementation of policies at all levels.

50. The foundations of stable international financial markets rest on sound macroeconomic and financial policies. Solid financial institutions at the country level are an essential pillar of a well-functioning international financial architecture. It is crucial, in particular, that countries with large economies manage them in ways that contribute to global stability and economic growth.

51. Enhanced financial information and transparency in the financial operations of public and private financial institutions, particularly banks, are key elements for a well functioning

international financial system. National regulators should enhance financial information and transparency at the domestic level. We will further endeavor to strengthen cooperation among national regulators to adopt adequate common standards, as financial resources flow increasingly across borders.

52. The emergence of new and highly globalized financial instruments is changing the nature of risks in the world economy. It is important that regulatory agencies in cooperation with the IMF, the Financial Stability Forum (FSF) and other agencies, both public and private, examine the factors that might increase systemic risks and trigger systemic crisis, in particular the various unregulated activities in international financial markets, with a view to assess whether further regulation at the national and international levels is necessary.

53. We reaffirm that the Bretton Woods Institutions should be the key pillars of a strengthened international financial architecture. They should have the capacity to deal with the management and swift resolution of financial crises in a manner that elicits and facilitates international cooperation. We will undertake measures to ensure that the BWIs have the technical capacities, credit facilities and financial resources necessary to assist countries in preventing financial crises and helping them to deal with the adverse effects of large fluctuations in the price of key commodities. The need for special drawing rights allocation should be kept under review.

54. Regional development banks are key actors in supporting development and furthering regional integration efforts. They play a vital role in the respective regional governance structure. We must ensure that they have the necessary resources to accomplish their tasks. Other regional cooperation frameworks such as financial and monetary arrangements that complement the international financial system can be instrumental in fostering development and financial stability among its members. We encourage those arrangements as they facilitate financial flows, lower transaction costs, serve as mechanisms that assist in the prevention of financial crises and render parties of such arrangements more resilient.

55. Credit rating agencies play a significant role in the provision of information, including assessment of corporate and sovereign risk. The systemic role of the major bond rating agencies in the lead-up to the latest financial crisis has stimulated an international discussion about the need for more transparency and reduced conflict-of-interest in operations. We recognize the need to establish an appropriate, inclusive process to consider measures aimed at improving agency oversight and increasing their accountability and transparency.

56. Most efforts in the formulation of standards and codes have taken place outside the multilateral system. It is crucial to ensure an effective and equitable representation of developing countries in standards and norms-setting bodies. While these bodies have increased consultation with some countries, more should be done to broaden the participation. We recognize that the implementation of standards and codes in developing countries with less advanced financial systems should be flexible.

57. We recognize that changes in the governance regime of the global economic and financial institutions are needed. The agreement regarding the recent quota review in the IMF is a step in the right direction, yet greater efforts need to be exerted to increase the voice and participation of developing countries on the board. It is also important to examine conditions by which only a few members can at times block key decisions. The World Bank and other entities such as the FSF and the Basel Committee should consider taking similar steps to achieve a more equitable participation of all members of the international community; the same applies to other bodies engaged in international economic decision-making.

58. Taking note of recent proposals, we acknowledge the need to convene a major international conference to review the international financial and monetary architecture and global economic governance structures. We thus invite the International Monetary and Financial Committee to include this subject in the agenda of its next meetings, and to make appropriate recommendations to the IMF Board of Governors and the international community.

Other new challenges and emerging issues

59. We recognize that multiple challenges have emerged in eradicating poverty, achieving sustained economic growth and promoting sustainable development. Some of these key challenges the world community faces today include: substantial and persistent global imbalances, volatile capital flows and unstable exchange rate markets, large and abrupt price fluctuations in international markets of key commodities, slowing global economic growth, increased costs from damage to the earth's environment and climate change. We reaffirm our resolve towards concerted global action to address all these areas, while consistently furthering economic and human development for all.

60. The concern of the international community with climate change has increased markedly since the adoption of the Monterrey Consensus. Ongoing and potential responses to tackle this phenomenon have major development implications. We agree to address such implications in a timely and decisive way. We *inter alia* resolve to address the financing needs for the mitigation and adaptation to climate change in developing countries in the context of sustainable development, in particular, within the structure of the United Nations Framework Convention on Climate Change (UNFCCC) and the process leading to the UN climate change conference scheduled for the end of 2009 in Copenhagen (COP-15). We commit to respond to the additional financial requirements that meet these new challenges with appropriate, concrete international cooperation measures and policies. Concerted efforts to address climate change should promote increased trade in environmental goods and not result in environmentally based trade distortions. We should facilitate the transfer of low-carbon technology to support economic development efforts.

61. We also underscore the special challenges emerging from international commodity markets, particularly the abrupt rise in food and energy prices. We will mobilize additional multilateral and bilateral resources to assist developing countries, particularly the least developed and those that are most affected by high food and energy prices, in

coping with the consequences of these higher prices, while at the same time recognizing the necessity of a substantial expansion in food production. We reiterate that the global food crisis has multiple and complex causes and that its consequences require a comprehensive and coordinated response in the short, medium and long term by national governments and the international community. We also take note of the establishment by the Secretary General of the High-Level Task Force on the Global Food Crisis and encourage its continued engagement with member states of the United Nations.

62. We reiterate the need for gender mainstreaming into the formulation and implementation of development policies, including financing for development policies, by all stakeholders of the Monterrey Consensus. It is also necessary that, when designing and implementing development strategies, due and full attention be paid to overall social development concerns and goals, including the social development aspects contained in the outcomes of major United Nations conferences and summits in the economic and social fields.

63. In middle-income countries, substantial pockets of poverty persist. We acknowledge the efforts to bring to light the particular development challenges faced by middle-income countries at the conferences held in Spain, El Salvador and Namibia on international development cooperation with Middle-Income Countries. We encourage the United Nations system, BWIs and all other stakeholders to enhance their role in addressing the special developmental needs of these countries.

Staying engaged

64. We recommit to keep fully engaged, nationally, regionally and internationally, to ensure proper follow-up to the implementation of the Monterrey Consensus and the Doha Outcome Document, and to continue to build bridges between all relevant stakeholders, both institutional and non-institutional, within the holistic agenda of the Financing for Development process.

65. A robust and credible process of follow-up is critical to continued progress in the Financing for Development process. We acknowledge the need to consider and set up, as appropriate, a more effective intergovernmental structure to carry out this task with the support of the Financing for Development Office, taking into account various proposals that have been put forward in this regard. We request the Economic and Social Council to consider these proposals in depth at its 2009 spring High-level meeting with the international financial and trade institutions, with a view to making appropriate and timely recommendations for final action by the General Assembly.

66. We will consider the need to hold a follow-up conference by 2013.

THE PRESIDENT
OF THE
GENERAL ASSEMBLY

15 July 2008

Excellency,

A summary of the Financing for Development review sessions on Chapter III of the Monterrey Consensus, "Trade as an engine for development" on 19-20 May is now available on the President's website. An e-mail will also be send to your mission with an electronic version; in addition hard copies of the summary will be available for collection from General Assembly Affairs room S-2925.

Please accept, Excellency, the assurances of my highest consideration.

Srgjan Kerim

All Permanent Representatives and
Permanent Observers to the United Nations
New York

<u>President's of General Assembly summary Financing for Development Review Session on Chapter III of the Monterrey Consensus, 19-20 May 2008</u>

"International trade as an engine for development"

I. Introduction

1. The informal G.A. review session on Chapter III of the Monterrey Consensus, held on 19 and 20 (morning) May 2008, was chaired by H.E. Ambassador Maged A. Abdelaziz of Egypt and H.E. Ambassador Johan L. Løvald of Norway. The meeting consisted of an initial panel discussion followed by an interactive dialogue amongst all stakeholders. The panel presentations were made by Ms. Lakshmi Puri, Acting Deputy Secretary-General and Director, Division on International Trade in Goods and Services, and Commodities, UNCTAD; Mr. Martin Khor, Director, Third World Network; Mr. Kym Anderson, George Gollin Professor of Economics, University of Adelaide, Australia; Mr. Peter Thompson, Director for Trade and Development, European Commission; and Mr. Hamidur Rashid, Director-General for Multilateral Economic Affairs, Ministry of Foreign Affairs, Bangladesh. (Views expressed during the interaction of panelists with the floor -question and answer period - are also included in section II – Panel presentations). After the panel presentations, a policy discussion took place among participants, including representatives of governments as well as institutional and non-institutional stakeholders.

II. Panel presentations

International trade developments in the current decade

2. International trade is inextricably linked to development. Most fast growing economies also have a dynamic trade sector. Trade linkages, external and domestic, denote the importance of the holistic approach of the Monterrey Consensus; particularly, the stress on the need to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development and to strive for sound macroeconomic management and supportive structural policies. The WTO, where comprehensive multilateral trade negotiations have been taking place since 2001, and UNCTAD, which recently held its twelfth session leading to the Accra Accord, are both key stakeholders in the Financing for Development process and participated actively in the Monterrey Summit Conference.

3. Trade involving developing countries has grown at a comparatively fast pace in the current decade. This has provided significant impulses for global growth and has led to measurable improvements in the current accounts of this group of countries. Yet, while on the whole trade expansion has contributed to economic growth, increased employment and poverty alleviation, a considerable number of developing countries – including many LDCs – have remained at the margins of this process. To integrate

the latter countries in the global economy in such a way that they may increasingly share the benefits of expanding world trade is one of the main challenges facing the international community.

4. There has been an increased share of value added in the exports of developing countries. Manufactured goods exported by these countries now account for 25 per cent of global market share - double the proportion in the early 1980s. High-tech exports from these countries in the last 25 years have grown twice as fast as those of developed countries. Developing countries - which traditionally as a group have been major producers of primary commodities – are now major consumers of those goods. Partly because of these factors, but also because of an increasing regional and interregional trade in manufactures and services, South/ South trade is one of the most dynamic factors in world trade. The quantitative trade changes since the adoption of the Monterrey Consensus have been accompanied by significant autonomous trade liberalization in a large number of developing countries and by numerous bilateral or broader free trade agreements.

5. Trade in services has also grown and now comprises slightly more than 15 per cent of the total export of goods and services from developing countries. The movement of natural persons across borders in search of jobs or higher wages has also increased measurably despite obstacles to such movement. Recorded remittances of migrant workers from developing countries to their country of origin are growing significantly.

6. Today, the Doha Round of multilateral trade negotiations, the aftermath of the financial turmoil and the food crisis are shaping international trade discussions. The on-going food crisis is the consequence of transitory as well as more deep-rooted problems. Food export subsidies and subsidies to domestic food producers as well as high tariffs on many agricultural products in many developed countries have discouraged production and exports in numerous countries with an agricultural potential. Also, over the years, the agricultural policy approach for developing countries favoured by multilateral financial institutions has led to elimination of subsidies, withdrawal of government support and reduction of tariffs in this sector. These policies together with the distortions introduced by the policies of many developed countries have caused some countries to become food deficit countries leading to more intense difficulties when food prices rise. Indeed, this is the actual condition of many LDCs and some of the other food deficit countries.

Lessons learnt and international trade related strategies

7. Openness to trade tends to spur growth, helps in stabilizing prices and promotes efficiency gains through increased competition. It allows countries to take advantage of specialization and economies of scale. In the long- run, trade openness enhances and facilitates productivity increases which are a key factor in sustained development. Yet, such outcomes are not automatic; mutually supportive policies – an adequate macroeconomic framework, infrastructure and human resource development – are

necessary. Reliance on market forces is important but not enough; proactive government policies to promote investments and productivity increases, as well as to enhance labour and build high-quality skills are also needed. It is therefore crucial that international trade related policies are an integral part of development policies or national development strategies.

8. Liberalization is one key element in international trade strategies. Further liberalization in developed countries, developing countries and countries with economies in transition as envisaged in the Doha Round can bring large gains for virtually every country. Yet, in any economy, liberalization has costs and benefits that must be weighed carefully. In developing countries where factor mobility is limited and new job opportunities are few the economic and social costs of liberalization tend to be high. The replacement of tariff revenues, usually an important and stable share of government revenues, often leads to complex political discussions and difficult parliamentary negotiations. At the same time, while potential benefits of liberalization can be large, there is no certainty that they will necessarily materialize. It is thus important to design liberalization policies – of goods and services - in a way that costs are absorbed without significant social stress and that additional measures are taken to ensure that the expected benefits will be actually forthcoming. A crucial factor to consider is the adequate liberalization pace and sequence, in particular, the time needed for the development of long-term comparative advantage in some economic activities. Thus, the process should proceed by stages, synchronizing liberalization with the country's economic conditions.

9. While many share the view that trade liberalization leads to static and dynamic gains, some econometric studies show that there is no causality between trade openness and growth. Also, the causation link can be ambiguous, as it might be argued that expanding trade causes economic growth as well as that increased trade is the consequence of economic growth. No country has sustained growth without some degree of initial protection. The large developed economies of today protected their manufacturing in the initial stages of industrialization. On the other hand, no fast growing developing country has achieved rapid economic expansion by imposing trade barriers; the emphasis has been on export-led growth.

10. Aid for Trade can be a vital component of liberalization. It enables recipient countries to effectively take advantage of potential benefits and facilitates coping with the costs of adjustment. Aid for Trade can help building trade infrastructure such as transport, communication, power facilities and markets, and assist in addressing some of the adjustment measures required by opening the domestic market. The EU has taken a very active role in developing a global vision on Aid for Trade. The United States is also paying special attention to this issue in its aid programme. However, two aspects remain essential for success. First, beneficiaries should be fully involved in needs assessment, identification of priorities and planning of activities. Secondly, aid should not involve conditionalities or become a substitute for effective progress in the implementation of the Doha Development Agenda. Assistance in trade facilitation

can also be very important as it can play a catalytic role in areas where potential gains are large.

11. Past experiences point to the importance of resource-rich countries taking advantage of the present commodity boom to diversify. This is an issue to which the Accra Accord paid special attention. For several commodities, high current prices are probably transitory. Even if prices of commodities remain high, commodity-exporting countries should embark on a diversification process into the secondary and tertiary sectors. On this score, the consideration of industrial policies to develop dynamic comparative advantages is relevant, particularly since it is an instrument that has allowed several countries to sustain long-term expansion of exports of manufactures.

12. For developing countries which are not rich in natural resources, the high prices of commodities in international markets represent additional costs that can be difficult to absorb. This is particularly so if a country already has a significant current account deficit or a large external debt. Higher import prices require additional trade financing. This is the situation today in a number of food deficit countries.

13. Agreeing on multilateral trade disciplines in agriculture has been difficult, partly because of fluctuating and falling real world prices for food during the past 60 years. To keep domestic food prices stable many governments have sought to insulate and increasingly protect farmers from international market forces. However, the cost of protection and assistance to farmers is very high, which leads to major distortions in agricultural markets and reduces the incomes of the rural poor in many developing countries. The higher prices of agricultural products today may reduce the pressures for protection, increase the chances of reforming agricultural policies and facilitate implementing the Doha Development Agenda in the WTO negotiations.

14. The growth impetus in many developing countries and the significant increase in trade and investment flows among countries of the South present an important window of opportunity for all countries, regardless of their level of development. However, South/South trade remains hampered by significant trade barriers; such barriers are higher than the barriers that developing countries face vis à vis developed countries. There is considerable scope for trade policy to boost trade between low and middle-income countries. Progress in the Global System of Trade Preferences (GSTP) is important. Regional and sub-regional trade agreements can also provide significant impulses to trade, but they also carry risks of fragmentation. Generally South/South trade agreements have been more development friendly than North/South trade agreements.

The Doha Round of multilateral trade negotiations and new policy challenges

15. After lengthy negotiations, a crucial juncture has been reached in the Doha Trade Round. It was noted that a political push was necessary to overcome special interests and ensure the conclusion of the current negotiations. It is important that the negotiations are brought to a close soon including full implementation of the Doha

Development Agenda. In addition, and in order to have a positive impact on the trade negotiations attendance at the Doha Review Conference on Financing for Development should be at the highest level.

16. Making progress in the agricultural sector negotiations as part of the Doha Development Agenda, requires that negotiations be ambitious and contemplate few or no exceptions, especially in eliminating export subsidies, increasing market access, and substantially reducing the tariff binding overhang and domestic support such as in cotton. In practice, agricultural subsidies in developed countries mostly benefit high income groups. Also, it is important to operationalize the special and differential treatment for developing countries; it should be a priority issue.

17. Since Monterrey, new trade related policy challenges have emerged: the repercussion of the sub-prime mortgage crisis on the world economy whose deceleration might intensify protectionist pressures; the large global trade imbalances whose persistence is a serious threat to stability, particularly of exchange rates; the food crisis and the increasing evidence of climate change. It is important to resist calls for protectionist measures and to try to ensure a smooth unwinding of global trade imbalances. Both tasks require international cooperation.

18. The current food crisis has led to export controls in several countries. This is an issue that might need further consideration as international rules in this sphere have not been developed; nothing in the WTO seems to prevent export bans and this issue is not being tackled in the current international trade negotiations. Trade has a role to play in resolving the food crisis. But an increase in global food supplies is necessary and this requires a long-term structural response. The latter should be assisted by international cooperation through a substantial increase in development policy support.

19. There are various aspects of international trade related to climate change. Indeed, responses to climate change have significant implications for trade and development. Measures to ensure that the production of goods for export markets are environmentally friendly are important, especially so when exporters risk additional import restrictions without such measures. For example if trade measures penalizing the carbon content of imported goods were implemented. Another danger is the requirement that tariffs for environmentally friendly products – mostly exported by the North – should be actually zero. Notwithstanding, international cooperation can play an important role by facilitating access to climate friendly technology for export expansion.

20. Regional integration as well as bilateral trade agreements can be an important tool to expand trade. It also allows developing countries to calibrate their moves towards full reciprocity and countries with small domestic markets to develop economies of scale. On the whole, free trade agreements, including North/South free trade agreements, can be development friendly, particularly if the deal is not unbalanced. These deals can include development oriented features such as investment promotion provisions

and a measure of flexibility in intellectual property rights. Still, the key to sustained long-term trade growth is multilateral liberalization through negotiations where all countries can participate effectively.

21. For Least Developed Countries to draw measurable benefits from the trade negotiations it is important that all developed countries and other countries in a position to do so provide duty free and quota free access for their products. The envisaged duty and quota treatment includes 97 per cent of exports from Least Developed Countries. It is therefore important to ensure that the products included in the remaining 3 per cent are not products characterized by a substantial export potential or products that have been particularly dynamic in the last few years. Also, many of the Least Developed Countries are net food importers. Actual progress in the Doha Development Agenda will lead to substantial reduction in export subsidies and domestic support in a number of food exporting countries. This will lead to increases in the price of several food staples imported by Least Developed Countries and will require additional assistance to these countries, in particular increased Aid for Trade.

III. Policy deliberations

International trade trends and development

22. Many participants reviewed the positive trends in world trade in this decade, including strong expansion of international trade at a faster rate than world GDP and rapid growth of South-South trade surpassing world trade. Moreover, the share of developing countries in world merchandise trade exceeded one-third of world trade and developing countries accounted for more than half of the growth of world trade in 2007. An increase in regional trade agreements had been an important contributing factor in the growth of South-South trade and regional integration, notably in Asia and Latin America. An increase in bilateral trade agreements had also bolstered North-South and South-South trade.

23. A number of speakers also underscored the persistent deficiencies of recent trade evolution, specifically the concentration of growth in a small number of developing countries, the marginalization of LDCs and other vulnerable countries in North-South and South-South trade, including their inability to exploit their comparative advantage in particular exports; the dependence of many developing countries on commodity exports and their undiversified production structure; the deterioration of terms of trade of these countries and the uneven distribution of the benefits of trade across sectors and countries.

24. Participants also referred to the current global economic downturn and possible recession in some of the principal trading partners of developing countries. The creation of new economic channels between countries had the potential to stimulate growth but also propagate recession. It was therefore necessary to find ways of ensuring that adjustments for affected countries were as painless as possible. It was also stated that the prevailing philosophy of free trade only privileged the interests of

transnational corporations and developed countries. For instance, the bulk of the windfall profits from higher commodity prices were often being repatriated by international corporations rather than being invested in the host country.

25. The importance of trade as an engine of growth was underlined by many representatives. It was noted that export growth accounted for over 60 per cent of GDP growth of all developing countries and over 40 per cent of the GDP growth of LDCs between 2000 and 2005. A number of participants pointed out that trade contributed to growth and development by encouraging specialization of production, improving access to inputs and technology, promoting economies of scale, increasing competition and efficiency, employment creation and by providing consumers with wider choice.

26. Some discussants emphasized that developing countries needed broad and predictable access to developed country markets as a prerequisite to benefit from trade. At the same time, the views of many participants converged on the need for preferential market access by LDCs and other vulnerable countries. While several participants stressed that the recent positive trade evolution underscored the ongoing opportunity for all developing countries to make contributions to expanding international trade under an open, rule-based multilateral trading system, others expressed concerns about some the rules of the multilateral trading system and stated that they needed to be addressed. A number of discussants also expressed concern about signs of increased protectionism in some developed countries.

27. Many participants cautioned that more open trade was not a guarantee of development and poverty reduction. They stressed that developing countries needed to develop their productive capability to take advantage of the opportunities of increased market access and at the same time minimize the costs of adjustment entailed by trade reforms and any loss in preferential access. In this regard, developing countries needed full access to technology at an affordable price, infrastructure investment and human resource development, an enabling domestic environment for private investment and innovation and an appropriate social safety net. Foreign Direct Investment (FDI) to developing countries could also play an important role. Developing countries, including LDCs, needed policy space to manage their trade, financial and development policies in alignment with their national development priorities and strategies.

28. Concern was expressed by many discussants that the relation between the current food crisis and international trade needed to be fully addressed in a concerted global context. It was pointed out that agricultural subsidies and import barriers hindered access for developing country agricultural exports and contributed to declines in agricultural investment and productivity holding back development in these countries. The recent introduction of export restrictions by some countries had aggravated food shortages and contributed to price increases.

International trade policies and lessons learned

29. Participants recalled that the Monterrey Consensus reaffirmed international commitment to ensure that trade played its full part in promoting economic growth, employment and development. Some regretted that “trade as an engine for development” was an area of least progress in the implementation of the Monterrey Consensus. The Doha Development Round, launched in 2001, had not been concluded. Many participants stressed the importance of an open, fair and equitable multilateral trading system that would offer opportunities for developing countries to participate and generate resources for financing their development. Therefore, it was seen as crucial to prevent abuses such as anti-dumping measures. Trade constituted by far the most important source of foreign exchange. It was also noted that an export-led growth strategy and proper sequencing of trade liberalization was essential for trade-related long-term development.

30. Many participants underscored the importance of reducing trade barriers and increasing market access for the full range of developing country exports, including agricultural commodities, manufactured goods and services, and not excluding technologically intensive high value-added goods. They urged all main trading partners of developing countries to honour their trade liberalization commitments and respect the judgments of established dispute settlement mechanisms. Some speakers were of the view that major economies had a moral responsibility to ensure that their policies assisted the participation of developing countries in the trading system. It was noted that successful developing countries had used their policy space effectively to become competitive and integrate their economy into the global production chains.

31. A number of discussants pointed out that technical assistance was needed by many developing countries, particularly LDCs, SIDSs and low-income LLDCs, to participate meaningfully in international trade negotiations. They also called on WTO members to ensure accession of those LDCs seeking to do so by fulfilling only those commitments commensurate with their level of development, as agreed in the Brussels Programme of Action. In the case of commodity dependent countries it was considered important to develop financial services for commodity producers and direct ODA to the commodity sector, in particular agricultural development.

32. Numerous representatives stated that the needs of LDCs and other vulnerable countries should be taken into account to ensure that they would be integrated in the international trading system. In this regard, the importance of implementation of Duty-Free and Quota-Free (DFQF) access for LDC exports was reiterated. Some participants welcomed its implementation by an increasing number of developing countries and encouraged other countries, particularly emerging economies, to follow quickly. Some also called for all developed countries to provide such access on a lasting basis to all products originating in LDCs by the end of 2008. Small economies, particularly SIDS, in different regions shared their experiences and progress in regional integration to overcome the disadvantage of small size and lack of capacity, which had been part of a wider process of integrating into the world

economy. At the same time, a number of representatives expressed concern about the erosion of preferential treatment and called for preserving those preferences that were aligned with their development priorities.

33. Some participants cautioned that increasing import restrictions based on environmental or labour standards or providing special incentives for imports that met specified standards risked undesired restrictions on export opportunities for developing countries. Such measures needed to be carefully examined.

34. Many participants underscored that a global approach to trade reform would be important for ensuring food security. Well-functioning local, national and regional markets and improved market access in developed countries were identified as prerequisites for enhancing agriculture-based growth and increasing rural incomes. The introduction of export restrictions on food commodities had aggravated the world food situation and should be removed. Increased agricultural investment was also essential.

35. Many representatives emphasized that developing countries needed enhanced access to technology and know-how for investment and innovation. They saw the current international intellectual property regime as mostly favouring producers and holders of international property rights that are mostly located in developed countries.

36. A number of participants underscored the importance of regional and bilateral trade agreements in promoting trade; they cited the success of countries in Asia and Latin America in regional integration. At the same time, many cautioned that these agreements must be designed in a way to advance development, promote and support regional integration in developing countries in conformity with WTO rules. The transparency of their provisions should be enhanced to ensure that they become building blocks in the continued evolution of the multilateral trading system. Increased efforts should be made to meet the challenge of adequately involving LDCs in these arrangements to effectively counter possible fallout from erosion of preferential trade treatment. It was also noted that it was important to discuss the actual impact of the proliferation of regional trade agreements.

37. Many discussants emphasized the need to remove barriers to South-South trade and the importance of policies to promote South-South trade. In this regard, the Third Round Negotiations of the Global System of Trade Preferences (GSTP) needed an early conclusion and the participation of all developing countries. They welcomed the agreement at UNCTAD XII on continued negotiation on GSTP and early conclusion in November 2008.

38. Many participants noted that Aid for Trade (AfT) recognized the need to help developing countries to fully benefit from their participation in international trade through technical cooperation and investment in infrastructure and productive capacity building. They reiterated the premise of AfT that harnessing trade to finance development began with developing countries themselves, who should put trade

integration, increasing productive capacity and competitiveness at the centre of their development strategies. Political leadership and supporting policies and regulatory framework that fostered an enabling environment and appropriate incentives for private investment and production, innovation and entrepreneurship would also be needed. Governments and business had to enhance efforts to establish market channels for potential exports. In addition, public-private partnerships should be strengthened to address market failures. Growth in South-South AfT was welcomed as a source of financial resources and also of shared experiences. The advantages of involving private businesses as important stakeholders in AfT were also highlighted.

39. Several speakers also pointed out the need for AfT, particularly by LDCs and other vulnerable countries, to mitigate the short-term adjustment costs arising from possible shocks from trade liberalization and the erosion of trade preferences. Costs could arise, for example, due to the loss of preferences in textile and clothing exports and the potential increase in agricultural prices if agricultural subsidies were abolished.

40. A number of representatives also underscored the need for international support for middle-income countries in trade. In this regard, they called for international financial institutions, including regional and sub-regional institutions, to adopt development cooperation schemes suited to middle-income country needs in trade adjustment and capacity building, particularly aimed at strengthening the export sector.

41. Numerous participants reviewed the progress made to better define and operationalize AfT. Some focused on the need to align AfT with country priorities and development strategy, stressing country ownership and reducing conditionalities. Some also called on developing countries to fully participate in needs assessment and the prioritization of activities to strengthen the integration of trade-related policies into national development strategies. Some representatives pointed out the often poor coordination between donors and recipients and the lack of evidence on the implementation of commitments on aid effectiveness. There was a need for greater transparency and incentives to improve effectiveness and the OECD had set up a task force on AfT to monitor its effectiveness at all levels. Many participants emphasized that developing countries should be placed at the centre of the process of designing and monitoring the implementation of AfT. Calls were made for strengthening UNCTAD's role regarding multilateral cooperation with developing countries.

42. Some representatives pointed to the importance of promoting fair trade at the national level to allow small and medium-sized enterprises and the most vulnerable segments of the population to benefit from trade. Improving facilities to store and transport perishable goods produced by low-income groups to markets was highlighted as a crucial consideration. A number of speakers also noted that some developed countries had been working with developing country partners to focus efforts on boosting trade benefits to the weakest groups, empowering women and strengthening their participation in trade and supporting environmental sustainability and trade. A number of representatives pointed out the need for greater coherence between trade

policies, labour and social policies at the national level to maximize the benefits of trade and ensure their equitable distribution. Increased competition resulting from trade liberalization highlighted the importance of policies to promote decent work for all. These participants noted that this link had been highlighted through the Monterrey review process and was particularly crucial in an era of rapid globalization. In this regard, the Monterrey Consensus provided as a solid platform for improved international and national policy coherence.

Successful conclusion of the Doha Development Round (DDR) and achieving development goals

43. A number of participants noted that the Doha Round was larger and deeper than earlier multilateral trade negotiations. It provided a clear linkage between trade and development by working toward increasing market access for developing countries, including LDCs, and striving to achieve a fairer and more equitable multilateral trading system that considered the needs and interests of all countries. There were calls for all parties to exercise flexibility and constructive engagement to move the negotiations forward. Some speakers indicated that if the DDR was not concluded shortly, their expectation was that a clear and unequivocal commitment to its speedy and successful conclusion should be an outcome of the Doha Review Conference. It was stressed that the success of the Round could only be measured in terms of actual market opening in agriculture, industrial goods and services - resulting in measurable new trade flows.

44. There was broad consensus regarding the need for a successful and balanced early conclusion of the DDR. Some representatives emphasized that its outcome should be pro-development. It would be critical to fulfilling the commitment to “trade as an engine of development” in the Monterrey Consensus. They cautioned that without meaningful market opening commitments by emerging economies the full development potential of the DDR would not be achieved. Many representatives stressed that the real content for development of the DDR should include the provision of policy space and the removal of conditions, which hampered the promotion of forward and backward linkages. It should also include special and differential treatment for developing countries, in particular for LDCs, SIDSs, LLDCs, transit states and low-income countries in Africa. It was noted that the scant regard for special and differential treatment had heightened the risk of marginalizing this group of countries.

45. It was emphasized that successful conclusion of the DDR could increase market access for agricultural commodities from developing countries and reduce levels of distorting agricultural subsidies, especially in developed countries. These changes could remove impediments to investment and productivity growth in agriculture in developing countries and support agriculture-based development that could bolster food security and rural incomes. It was also important to review possible arrangements for commodity price stabilization.

46. A number of discussants stressed the need for the outcome of the DDR to increase market access for developing countries in nonagricultural manufactured goods and services as well, including technology, and skill-intensive high value-added exports. Some called upon developed countries to liberalize their markets for the movement of labour from developing countries under Mode IV of GATS. It was also important to weigh the benefits against the costs of any new trade agreement.

47. Some representatives also emphasized the need for international agreements that could correct the imbalance in the international intellectual property regime, including TRIPS and TRIMS. This could help to narrow the knowledge gap between developed and developing countries and establish an international property regime that would truly assist developing countries in achieving development goals.

48. Many participants noted that AfT was a necessary complement to a successful Doha Round in increasing developing country trade and productive capacity and addressing constraints to their competitiveness in international markets. But it could not be a substitute for an ambitious outcome in trade liberalization. Numerous participants stated that in addition to AfT the Enhanced Integrated Framework (EIF) for LDCs was the concrete mechanism available to respond to LDCs' development imperatives. It was designed to assist LDCs in integrating trade policy into national development strategies, mapping trade and productive capacity building needs, and matching needs with the supply of donor assistance. A number of participants urged development partners to provide adequate resources so that all LDCs could join the EIF.

49. Numerous discussants underscored the importance of commitments to additional resources to fully finance AfT and ensuring that they did not divert ODA from other sectors, such as health and education. It was noted that donors needed to increase AfT by $8 billion of new ODA a year to meet their 2010 target of $30 billion,. A boost to the effectiveness of AfT was also needed. There was a suggestion that the World Bank could be an important actor in supporting the integration of trade assistance in the overall development assistance framework. Some representatives underscored that a favourable outcome to the DDR complemented by additional commitments to AfT would be an appropriate way to exploit the synergies of the Monterrey Consensus and the DDR in contributing to the achievement of the international development goals.

PERMANENT MISSION OF NORWAY
TO THE UNITED NATIONS

Permanent Mission of the Arab Republic
of Egypt to the United Nations

2 June, 2008

Excellency,

Having concluded the six substantive informal review sessions of the whole on the six thematic areas of Monterrey Consensus, held in accordance with operative paragraph 9 of General Assembly Resolution 62/187 titled "Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus", we would like to express our sincere appreciation for the positive atmosphere that prevailed among all states and the major institutional stakeholders involved in the financing for development through the informal review sessions held from February to May 2008.

As operative paragraph 9 of the resolution stipulated, following the six informal review sessions of the whole, informal consultations on the contents of the outcome document of the Review Conference should be held. **We have consequently the pleasure to invite you or your representative to take part in the informal consultation session to be held on 9 June 2008 (from 3:00 PM to 6:00 PM in the Trusteeship Council Chamber) and a following consultation session at a date to be decided on.** The purpose of these informal consultations is to give member states and other stakeholders the opportunity to elaborate on their views of what should be the contents of the outcome document. For us as facilitators of the Ffd process, these informal consultations will offer important guidance before preparing the first draft of the outcome document, that will be circulated by the President of the General Assembly by the end of July 2008.

Please accept, Excellency, the assurances of our highest consideration.

Ambassador
Johan L. Løvald
Permanent Representative
of Norway

Ambassador
Maged A. Abdelaziz
Permanent Representative
of Egypt

To: All Permanent representatives and
Permanent Observers to the United Nations
New York

THE PRESIDENT
OF THE
GENERAL ASSEMBLY

22 May 2008

Excellency,

A summary of the Financing for Development review session on Chapter IV of the Monterrey Consensus, "“Increasing international financial and technical cooperation for development”, on 15-16 April are now available on the President’s website and have also been e-mailed to your mission. Hard copies of the summaries can be collected from General Assembly Affairs room S-2925.

Please accept, Excellency, the assurances of my highest consideration.

Srgjan Kerim

All Permanent Representatives
to the United Nations

<u>President's summary of General Assembly Financing for Development Review Session, 15-16 April 2008, on Chapter IV of the Monterrey Consensus</u>

"Increasing international financial and technical cooperation for development"

I. Introduction

The informal G.A. review session on Chapter IV of the Monterrey Consensus, held on 15 and 16 April 2008, was chaired by H.E. Mr. Maged A. Abdelaziz, Permanent Representative of Egypt to the United Nations and H.E. Mr. Johan L. Løvald, Permanent Representative of Norway to the United Nations. The meeting consisted of an initial panel discussion followed by an interactive dialogue by all stakeholders. The panel presentations were made by Mr. Eckhard Deutscher, Chair, Development Assistance Committee, OECD; Mr. Richard Morford, Managing Director, Millennium Challenge Corporation, USA; Ms. Hilde Johnson, Deputy Executive Director, UNICEF; Mr. Sanjay Reddy, Assistant Professor of Economics, Columbia University; and Mr. Irfan ul Haque, Special Advisor on Financing for Development, South Centre. (The views of the panelists as well as their responses to the questions from the floor are also included in section II – Panel presentations). After the panel presentations, which were highly appreciated by the attendees, a policy discussion took place among participants, including representatives of governments as well as institutional and non-institutional stakeholders.

II. Panel presentations

a) Development assistance and lessons learned

1. According to the panelists, the Monterrey Consensus was a milestone where donors and recipients were brought together on an equal footing for the first time to form a global development partnership. There have been some positive developments since then. Debt relief measures had helped and there had been a revival of growth in Africa, mostly resulting from domestic own efforts, donors approaches had become less heavy-handed, and Overseas Development Assistance (ODA) virtually doubled between 2002 and 2005 reaching a level slightly above $ 100 billion.

2. At Gleaneagles in 2005, Heads of State of G-7 countries set targets for increasing ODA to $130 billion by 2010. Yet, since then ODA had declined in both 2006 and 2007. The rate of growth of ODA will now have to increase substantially in order to meet the 2010 target to achieve the Millennium Development Goals. In addition however, the current international economic and social landscape, in particular the growing food crisis and the increasing need for measures to mitigate and adapt to climate change, call for more resources. These additional resources are particularly needed in the most vulnerable poor countries.

3. ODA comprises development aid, debt relief, emergency and humanitarian assistance and some peacebuilding activities, however, in recent years it was noted that only one third of ODA should be regarded as development aid. Moreover, performance had varied considerably among donor countries, with large increases from some and increases promised by others. The OECD had just completed a new and comprehensive survey of donor spending plans to 2010. This forward-looking information is critical for finance ministers in aid-dependent developing countries for proper budget management and investment planning to meet the MDGs. Long-term predictability of aid is critical for effective financing for development.

4. Foreign aid is heavily concentrated in a few countries. Many developing countries are not receiving enough assistance even after efforts to put in place appropriate policies. Still, aid has to be carefully measured and assessed as it can be counter-productive. The connection between aid flows and development has to be evaluated using a reasonable time horizon since its impact is seldom immediate. For example, in education - a priority for many developing countries - the time horizon for results to be effectively measured is very long. Still, despite the long gestation period aid to this sector should not be delayed. Also, when measuring effectiveness, it is important to differentiate between types of aid, such as development-oriented infrastructure assistance versus politically-oriented assistance. One crucial additional consideration is to effectively assess the need for aid in the recipient country. All domestic financial resources – tax and other revenues – should be exhausted before aid is disbursed. Effective mobilization of domestic resources will help developing countries move away from aid dependency.

5. There has been a substantial increase in the number of donors from non-DAC countries as well as private donors and NGOs, which is a welcome development. Therefore, there is the need for dialogue among donors to increase the efficiency of cooperation. South-South cooperation and regional cooperation are becoming increasingly important. Thus, their role in development cooperation and how they fit into aid delivery need to be considered.

6. ODA is important since it goes to sectors that private flows do not reach but it is only one element of finance for development. FDI and non-concessional bilateral and multilateral flows are also key elements in fostering development. The principles and policy commitments in the Monterrey Consensus form the basis of successful development assistance, particularly policies aimed at creating a business friendly environment in the medium term that are focused on results within a framework of donor and recipient country partnership. The Consensus is also about efforts in other areas, such as; enhancing country ownership and effective democratic participation in policy formulation, coordination and harmonization among donors, and aid for infrastructure and education, which are important strategic investments whose benefits are essential for sustained development.

7. The Millennium Challenge Corporation (MCC) is based on these principles, focusing on results and rewarding countries with pro-development policies. It targets a single mission: “reducing poverty through growth”. MCC assistance is only a catalyst to

leverage other sources of finance for development, especially from the private sector. The MCC uses 16 indicators that are highly correlated to development to assess results. These indicators have changed over time and include areas such as girls' education, water and sanitation and environmental indicators.

8. Past experience shows that country ownership takes time and commitment. Countries must set their own priorities through participatory, meaningful and timely consultations and build support for successful action. Capacity for taking ownership grows through learning by doing. In general, donors have not done enough to support recipient country ownership by streamlining conditionality. Aid needs to be made available with enough policy space for flexibility and alignment with national development priorities. Regarding the latter, the views of non-governmental actors are important.

9. Donor and recipient countries are making major efforts to improve the quality and effectiveness of ODA. Transparency and accountability in aid delivery at the national and international levels are important. Enhanced effectiveness is necessary not only in achieving development goals but also to maintain public support in donor countries to ensure delivery on promised aid increases. Peer and partner review mechanisms can help donor and recipient countries to share experiences. It is a good opportunity to review whether best practices and policies are being implemented. Sustained economic growth is a good indicator of positive results of aid but the focus should not be only on growth. In fragile and post-conflict countries, growth cannot be expected but they still need aid for rehabilitation and humanitarian purposes, especially aid for children.

10. The Paris Declaration is critical since it targets donor and recipient countries to enhance aid effectiveness. Some progress has been made in harmonization and ownership but more effort is necessary. Mutual accountability on the part of donors and recipients is an important factor in achieving the MDGs. The third High Level Forum on Aid Effectiveness in Accra can provide a good opportunity for an assessment of progress. It will be very important to reach agreement on accelerating progress on aid predictability and other aid management issues that affect the ability to increase the trend rate of growth of ODA to support achievement of the MDGs.

11. Within the current aid architecture, there is a clear asymmetry in development cooperation relations. Recipient countries often do not have much voice in forums that set development cooperation guidelines and civil society and parliamentarians are not well represented. Thus, the Development Cooperation Forum (DCF) has a critical role to play, both in the operational and normative areas as well as in helping aid dependent countries formulate exit strategies. DCF should co-exist with OECD/DAC but not replace it. The United Nations' role, as well as the role of emerging donors, in aid delivery should be discussed in Doha. Tracking aid should be a critical aspect of this discussion.

12. Innovative sources of finance for development are important in mobilizing resources and their predictability and additionality are important features. Discussion of

innovative finance sources should make the distinction between taxes and voluntary contributions. Indeed, commitments to increase ODA have to be met regardless of progress in innovative sources of finance.

13. Transfer of knowledge constitutes a key strategic element in development cooperation, especially in South-South cooperation, and the United Nations has a key role in this area. In the spirit of the Monterrey Consensus, UNICEF has organized South-South conferences in knowledge sharing.

b) Development cooperation policies

14. Work on ownership has begun but still needs to be further developed. Aid resources need to be made available in a manner that leaves room for experimentation by the recipient countries. Open-mindedness and willingness to experiment with policies can be important in identifying effective ways of utilizing aid for development and yielding unexpected positive consequences. Developing countries have to learn from each other and from past experience. Education should be a priority target of aid. Investment in education is indeed a priority for many recipient countries, in addition to infrastructure, agriculture and healthcare.

15. South-South cooperation is motivated by a cooperative spirit and is very important for knowledge transfer and technical assistance, but it does not yet generate much financial flows. Beyond funding triangular cooperation is still very important, particularly through regional and sub-regional financial institutions, as well as multilateral and bilateral assistance.

16. The cost of mitigation and adaptation to climate change has to be borne mainly by industrialized countries since they have the resources to do so and are responsible for it. With the need to address the effects of climate change on development, the concept of aid has to be redefined. The UNFCCC should be the main framework for tackling financing issues for climate change.

17. Aid should be increased substantially. Efforts by donors to increase ODA should be commensurate with the targets set by the international community. There should be more public engagement on development cooperation in developed countries to foster support for increased aid to developing countries. Peer and partner review mechanisms can be helpful for public debate. The definition of aid should be taken up in these forums. It is important that the international community be more receptive to budding efforts in new aid modalities.

III. Policy deliberations

a) ODA evolution, new developments and emerging issues

18. Many representatives stated that ODA could facilitate, but was not the source of, economic growth. It had a key role in leveraging other resources. ODA, combined with

the other five leading actions of the Monterrey Consensus were necessary. They further stressed that increased aid was needed to start the virtuous cycle of economic growth, development and poverty reduction. ODA was effective when accompanied by an active business sector, civil society and independent media.

19. Numerous participants noted that ODA trends since Monterrey showed an increase between 2002 and 2005 but consecutive years of decline in 2006 and 2007. A significant part of the increase comprised growing debt relief, which constituted 30 per cent of ODA in 2005. A significant portion was also used for emergency relief for natural disasters in Asia. Many also noted that there was a high degree of uncertainty regarding the level of aid flows in the near future. It was also noted that the developing countries were fulfilling their commitments, as agreed in the Monterrey Consensus. They had improved their macroeconomic and debt management and increased their absorptive capacity for ODA.

20. A number of speakers underlined that for some country groups, like the LDCs and SIDSs, ODA provided the bulk of external development finance. They pointed out, however, that ODA to LDCs equaled only 0.08 per cent of donor GNI, well short of the agreed target of 0.15 per cent. It was noted that despite ODA volumes, developing countries as a whole had been recording net outflows of resources. Many representatives also warned that the slow growth in ODA would make it difficult to reach the $130 billion amount agreed in Gleneagles. Moreover, they said that increasing food and energy prices were complicating the achievement of the international development goals. It was stressed that it would be important for the ODA situation to be addressed in Doha. They reiterated that debt relief, humanitarian and emergency assistance were as important as other types of international cooperation

21. Several speakers referred to the changing aid landscape, with the advent of new players, including emerging donors, private foundations, and vertical funds. The arrival of new creditors and donors, both private and public, was a welcome development. A positive effect of increased aid as a result of the emergence of new actors was that there would be more resources for social and environmental protection schemes in the event of exogenous shocks. They also pointed out that, in the last thirty years, there had been a radical shift from ODA to private finance. The relative importance of private flows as a share of total financial flows from developed to developing countries had grown substantially.

22. Many participants mentioned that South-South cooperation, including triangular cooperation, was an important aspect of development cooperation. South-South cooperation had features that distinguished it from North-South cooperation. Emerging donors could contribute to lessons learned from their own development experience.

23. A number of representatives stated that there had been significant progress in the area of development of new and innovative sources of finance, including air ticket levies, the International Financing Facility for Immunization pilot programme and the first Advance Market Commitment for pneumococcus. Some participants stressed the need to

put in place a process to build on successful examples of these mechanisms. They also noted that the Leading Group on Solidarity Levies had helped to bring different groups together.

24. Many speakers emphasized that the needs of Middle-Income countries, LDCs and other vulnerable countries must be accommodated in the context of their efforts to achieve the MDGs. They said that the approaches to implementing international cooperation, however, must be tailored to suit the specific development needs of each country. With respect to mitigating and adapting to the effects of climate change, it was noted that a large amount of additional resources, in the range of $100 billion a year, would be needed, and that they should be additional to traditional ODA.

b) Aid quality and effectiveness

25. Numerous participants reaffirmed the concern of the Monterrey Consensus with aid quality and effectiveness along with aid volume. In this regard, many representatives stressed that aid quality and effectiveness depended significantly on national ownership, the quality of domestic policies and regulatory frameworks, as well as the alignment of ODA with national policy objectives. They raised concerns about restrictions such as tying of aid and burdensome conditionalities and the lack of harmonization among donors, including multilateral institutions, which compromised aid effectiveness. A number of participants reiterated that there was general agreement that most conditionalities did not work.

26. Many delegates emphasized that scaling-up of aid to meet commitments necessitated more efficient and effective delivery. They reaffirmed their commitment to implement of the Paris Declaration (PD) on Aid Effectiveness that formalized the commitment by development partners to take action to adopt best practices in the delivery and management of aid resources, as called for in paragraph 43 of the Monterrey Consensus. They welcomed the Accra High Level Forum on Aid Effectiveness in September 2008 as a crucial political opportunity to agree on decisive action needed to meet the Paris Declaration targets. Some underscored the need for early coordination and information sharing between the Accra Forum and the Doha Conference.

27. A number of representatives stressed that good governance should be exercised over the use of development resources. Some underscored that aid should be targeted to countries that specifically demonstrated their commitment to governing justly, investing in their people and promoting economic opportunity and entrepreneurship. At the same time, donors should help build capacity in governance. In addition, it was noted that aid effectiveness should focus on related issues such as human resource development, gender equality and environmental protection.

28. Many participants also expressed concern about the limited role of recipient countries in the Paris Declaration process, which was seen as essentially OECD and donor driven. The Paris Declaration was perceived by some as reducing the policy space of recipients and accentuating asymmetries in power between donor and recipient

countries, notwithstanding gains in efficiency and cost reductions in aid delivery. In this regard, some speakers noted that there was no one-size-fits-all formula and questioned the appropriateness of automatic application of all twelve Paris Declaration indicators as the gauge for achieving effective assistance.

29. Some representatives from countries shared the results of their efforts in untying aid from the perspective of donors, as called for in the Monterrey Consensus. Some also underscored changes in the way that they delivered assistance, based on a results–oriented focus that gave priority given to the effective use of aid resources. Others affirmed their increasing support for country ownership, promoting best practices to improve effectiveness and leveraging private resources.

30. Many participants welcomed the contribution of emerging public and private donors to development cooperation. These resources complemented financing from traditional donors. Moreover, non-DAC donors brought unique perspectives to development policies based on their own experiences. In the view of several speakers, aid coordination and harmonization efforts needed to encompass the increasing role of non-DAC donors. South-South and triangular cooperation were becoming a key dimension of overall efforts and should be part of the deliberations on enhancing the aid architecture. Also, a number of participants added that improving the effectiveness of operational development activities of the United Nations system was an important part of the global aid effectiveness agenda. They reiterated their support for the UN reform process on system-wide coherence, including improvement of effectiveness and coherence at the country level through the "One UN" approach. Some speakers also pointed out that it was important to address the current imbalance between core and non-core funding.

31. Many speakers asserted that aid flows should be predictable over time as well as counter-cyclical to minimize adverse effects on recipient country economies. Conditionalities should be eliminated to allow flexible use of resources and autonomy in formulation and implementation of public policies. In addition, they recalled that experience had shown that aid delivered as direct budgetary support could deliver good results. Some participants also noted the need for increased transparency on the part of donor and recipient governments in both aid flows and aid negotiations to improve accountability and promote democratic ownership.

32. The importance of increasing the cost effectiveness of technical assistance and the clear need for capacity building in developing countries was recognized by many participants. One example of capacity building assistance that should be supported was in enhancing the economic and social databases and policy evaluation skills which could contribute to improved policy development.

c) Enhancing international financial and technical cooperation for development

33. Numerous representatives pointed out that the slow pace of progress in meeting aid commitments was a main cause of concern. It also reinforced the need for redoubling efforts in this area. Some participants also stressed the importance of economic growth in

reducing poverty and to achieve the MDGs. Because of this, they placed great importance on cooperation to enhance productive activities, particularly aid for trade.

34. Some participants emphasized the importance for major donor countries to set strict deadlines to fulfill the ODA obligations and the establishment of an intergovernmental monitoring mechanism to keep track of aid quantity, quality and effectiveness. They were of the view that the Doha Conference should seek to increase the certainty of donor countries meeting their agreed ODA commitments. This could be achieved through an arrangement with the UN similar to that with the International Financial Institutions, such as IDA.

35. Many participants underscored the importance of making ODA more counter-cyclical and equitable, with LDCs receiving aid flows commensurate with their development financing requirements, as well as, meeting the major challenge of channeling more ODA to Africa, particularly in the agriculture sector. Also, the current highly deficient allocation of ODA to the agriculture, trade and manufacturing sectors needed to be addressed to enhance ODA effectiveness. Numerous speakers underlined that cooperation efforts to mitigate and adapt to climate change should be made within the UNFCCC. Many stressed that existing financing mechanisms should be used where possible for this purpose.

36. It was noted that the stress on enhanced donor coordination on aid allocation was rather new and had not yet yielded substantial results. However, the "Code of Conduct on Complementarity and Division of Labour" agreed upon in the EU represented efforts in the right direction. This was based on the recognition that total transparency in effective aid allocation, including its underlying criteria, was an indispensable first step.

37. A number of participants stressed that, given the large volumes of private capital flows into developing countries, it was important to use ODA to catalyze private funding by promoting the development of social and economic infrastructure. In addition, public sector involvement in trade and investment insurance to mitigate risk and public-private partnerships in financing for infrastructure should play a crucial role. It was noted that the delivery of assistance was undergoing change, as in the case of the US Millennium Challenge Corporation, which was based on a results-oriented framework taking into account individual country conditions and needs.

38. Some participants emphasized that assistance in a peace-building context required seamless transition from humanitarian assistance in a conflict situation, followed by rehabilitation and nation-building and then assistance for enhancing governance and improvement of social and economic infrastructure. More work was also needed to make aid to fragile states more effective.

39. A number of participants stressed that the use of ODA for the empowerment of women could yield a high rate of economic and social return. References were made to proposals for policy targets to increase the share of ODA for gender equality to 10 per

cent by 2010 and to 20 per cent by 2050 were important. It was reiterated that all actors preparing for the Doha Conference should pay due attention to gender issues.

40. Regarding the evaluation of aid effectiveness, numerous representatives noted the importance of making the process inclusive and reducing ex-ante conditionalities. Many participants were of the view that the framework of the Paris Declaration needed to be adjusted to the new aid landscape and dialogue between traditional and new donors should be promoted. While many participants expected the third High Level Forum on Aid Effectiveness in Accra would discuss the implementation of important principles of aid effectiveness, they underscored the need for an effective and more universally inclusive intergovernmental mechanism to monitor and evaluate aid commitments. The Annual Ministerial Review and the Development Cooperation Forum (DCF) of ECOSOC could play a key role in these functions. The 2008 DCF should provide impetus to the Doha Conference. Many indicated that the Doha Conference could also seek to provide for a reporting system on performance by donor and recipient countries that could be based on a peer review system, possibly on a regional basis, which would allow for the assessment of end results and performance relative to commitments, as well as, learning from each other.

41. A number of representatives underscored the importance of continuing international support of the middle income countries (MICs), including land-locked developing countries, in their development and poverty reduction efforts. In this connection, the international community had been invited to consider new and more effective criteria for assistance as the basis of innovative mechanisms for providing more targeted cooperation. At the same time, the MICs were committed to implementing the outcome of the Madrid Conference and the El Salvador Consensus on Development Cooperation with Middle Income Countries of March and October, 2007, respectively.

42. Many participants recognized the important role of multilateral and regional development banks in assisting the development efforts of developing countries, including middle income countries, and emphasized the need to strengthen these financial institutions to allow them to provide flexible financial support to fulfill their mandate. Core funding of these institutions should be bolstered to enhance their capacity for technical and financial assistance. Some speakers pointed out that the multilateral and regional development banks had ample funds to disburse but needed bankable projects. A potential portfolio of projects should include infrastructure in areas such as water, roads, sanitation and other fields where ODA had demonstrated effectiveness.

43. Participants noted the growth in the diversity of sources of development assistance to developing countries, extending to non-DAC countries, private corporations, international NGOs and foundations. As a result, it was important to monitor and coordinate the coherence of these contributions. The UN system could play a substantial role in that regard.

44. Innovative sources of financing were recognized by many speakers as a supplement to existing sources. Some participants called for the implementation of the

Monterrey proposal to use SDR allocations for development financing. Initiatives on innovative sources of finance that were already operational should also be considered by other countries and new initiatives should be explored. There was reiteration of the proposal of a global currency transaction tax that could be national but require international coordination to administer, which could generate very substantial resources. Some participants cautioned that innovative sources of financing should not impose any additional burden on already resource-constrained countries. They called for the disbursement of resources generated by innovative finance through existing multilateral institutions, especially through organizations of the UN system. They were also of the view that innovative sources of financing should be a topic actively discussed in Doha.

45. It was pointed out that deliberations in the Doha Conference should also include the follow-up process of the Monterrey Consensus. Valuable lessons had been learned regarding this process and it was important to review existing follow-up mechanisms to determine whether enhancements were necessary, and if so, along what lines.

THE PRESIDENT
OF THE
GENERAL ASSEMBLY

11 April 2008

Excellency,

Summaries of the Financing for Development review sessions on Chapter V of the Monterrey Consensus, "External debt", on 10-11 March, and Chapter VI, "Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development", on 11-12 March are now available on the President's website and have also been e-mailed to your mission. Hard copies of the summaries can be collected from General Assembly Affairs room S-2925.

Please accept, Excellency, the assurances of my highest consideration.

Srgjan Kerim

All Permanent Representatives and
Permanent Observers to the United Nations
New York

<u>Informal Summary of General Assembly Review Session 3</u>
<u>10-11 March 2008</u>

Chapter V of the Monterrey Consensus, "External debt"

I. Introduction

The informal G.A. review session on Chapter V of the Monterrey Consensus, held on10 and 11 (morning) March 2008, was chaired by H.E. Ambassador Maged A. Abdelaziz of Egypt and H.E. Ambassador Johan L. Lovald of Norway. The meeting consisted of an initial panel discussion followed by an interactive dialogue by all stakeholders. The panel presentations were made by Mr. Thomas Courbe, Secretary General, Paris Club, France; Mr. Deepak Nayyar, Professor of Economics, Jawaharlal Nehru University, India; Ms. Martine Guerguil, Chief of Official Financing Division, Policy Development and Review Department, IMF; Mr. Hitoshi Shoji, Adviser, Development Assistance Strategy Department, Japan Bank for International Cooperation; and Mr. Léonce Ndikumana, Chief, Macroeconomic Analysis, UN Economic Commission for Africa. (The views of the panelists in response to questions from the floor are also included in section II – Panel presentations). After the panel presentations, which were highly appreciated by the attendees, a policy discussion took place among participants, including representatives of governments as well as institutional and non-institutional stakeholders.

II. Panel presentations

a) External debt of developing countries and related policies since 2002

1. The Heavily Indebted Poor Country initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) operate under an equal burden-sharing arrangement. Preventing debt crises is a shared responsibility of creditors and debtors. The Monterrey Consensus (MC) follows the principle of “the logic of collective action” in debt relief, that is, welfare of the parties concerned improves with coordinated action, not through unilateral action. Yet, coordinated action has seldom been put into practice up to now.

2. A Paris Club (PC) debt relief programme for the HIPCs has been in operation since Monterrey. In 2007, PC debt treatments for the 23 post-Completion Point countries totaled $7.6 billion. Total MDRI debt relief reached $37.6 billion. Debt service for the 32 Decision Point HIPCs fell considerably as a percentage of exports: from 16.6 per cent in 2000 to 5 percent in 2007. Poverty-reducing expenditures in post-Decision Point countries, as a percentage of GDP, rose also during the same period from 6.8 per cent to 9.4 per cent. Six countries have benefited from “topping up” schemes, which provided additional funds to Completion Point HIPCs to help them deal with external shocks.

3. Nine debt-distressed countries received “Evian debt treatment”, including non-HIPC countries. The Evian approach groups developing country debtors into two classes, those whose debts are sustainable and those with unsustainable debt. For countries with

the most serious debt problem, the most generous implementation of existing terms is applied. Treatment under unsustainable debt situations is delivered with a strong focus on the link between economic performance - under an IMF-sponsored programme - and public debt management. Debt relief terms are determined on a case-by-case basis. Under the Evian treatment, Nigeria's debt stock fell sharply from 2000 to 2007. Countries granted goodwill clauses under the Evian approach did not have to use it.

4. Early repayment of official loans of about $70 billion was made possible by the improvement in the economic situation of some developing countries. The PC supports this if it is an integral part of a country's long-term debt management strategy. The PC accepts early repayments under two arrangements: early repayment at par, and buyback at market rate.

5. Challenges to resolving the debt problem entail fully implementing debt relief efforts, including the full delivery by all non-PC bilateral creditors and private creditors of their share in debt relief. This requires increased inter-creditor coordination, particularly taking into account the increasing role of private creditors and emerging bilateral creditors, such as China and India.

6. The problem of aggressively litigating creditors against some developing countries, including HIPCs, has to be addressed. Efforts needed to deal with this problem include moral suasion, debt buybacks and Paris Club creditors not reselling claims in secondary markets. Technical assistance to HIPCs in capacity building in debt management and sound legal expertise to respond to litigators is important as well.

Notwithstanding overall progress, the debt picture is still mixed. In Africa, debt levels have declined but private debt remains high and is rising. In some cases, debt relief volumes provided have been too little, too late. While debt relief has provided more fiscal space for poverty reduction expenditures, the impact is limited. A key issue has been sidelined – often debt relief has not taken into account financing needs for productive and infrastructure investment.

7. The problematic political, economic and security situation of many of the remaining HIPC countries hinders restoration of debt sustainability. Conflict and post-conflict countries need debt relief beyond what is provided in existing programmes.

8. Since the international financial system does not provide insurance for future economic shocks, international reserves are being accumulated by numerous developing countries as self-insurance against potential debt crisis. This diverts financial resources from financing investment in development. Proper management of reserves and their productive use are equally important for development financing.

b) New challenges and the way forward

9. Low income countries have huge investment needs in infrastructure and the social sector but face problems of unchanged economic structure and low domestic saving. In

general, they have scant access to international financial markets and limited grant financing. At the current juncture, volatility in commodity and energy prices could undermine debt sustainability of these countries. Financial shocks that raise international interest rates could also derail efforts in reducing financial pressures from debt relief, maintaining debt sustainability and achieving development goals.

10. Borrowing to finance development must take into account sound macroeconomic principles and take into consideration that it can be sustainable where credit is used for investment with a rate of return greater than the interest rate of the loan. If borrowing is cross-border, the country needs to transform domestic resources into external resources to meet the liability. As returns to investment in the social sector are generally lagged and intangible, financing from domestic public debt or increased tax revenues is more appropriate for this sector.

11. HIPC debt treatment is based on policy conditionalities ensuring repayment not development aims. Overly strict application of conditionalities have often resulted in compressed public spending to balance the budget, squeezing much-needed infrastructure investment and social sector spending. Streamlining conditionalities or shifting to outcome-based conditionalities to revive economic growth by taking into account development needs is, therefore, desirable.

12. With the private sector in middle-income countries (MICs) becoming a major debtor, new risks are emerging and the need for risk mitigation measures is increasing. MICs' vulnerabilities to external debt are often triggered by liquidity problems as a result of the level, currency denomination and maturity composition of debt. To access international financial markets, these countries are obliged to maintain high interest rates to provide attractive returns and a strong exchange rate to inspire confidence; but these macroeconomic policies undermine competitiveness and stifle economic growth. Greater policy space is needed to allow a focus on debt crisis prevention as well as remedy, considering that sustained higher growth generally tends to reduce debt pressures.

13. As MICs and some low income countries are not part of the HIPC initiative, other options to reduce debt and help achieve development goals should be used more extensively, including debt swaps and bilateral debt relief agreements.

14. The way forward in restoring and maintaining debt sustainability involves a commitment or recommitment to the following principles: joint responsibility of creditors and debtors; development needs rather than financial needs as the foundation of debt reduction and cancellation; responsible lending practices in extending new loans to countries emerging from debt crisis; transparent national and international financial institutions, particularly banks; additionality of debt relief to ODA; and application of the Paris Declaration principles of ownership, management for development results, mutual accountability, alignment and harmonization to achieving debt sustainability;.

15. With an increasing number of emerging economies holding large accumulations of foreign exchange reserves, they can provide financing for distressed indebted

countries. This creates competition to financing by the international financial institutions (IFIs), which is a good thing, as it can help make them more responsive to the needs of developing countries.

16. Some post-debt relief low-income countries are vulnerable to medium or high risk of debt distress. There needs to be a focus on prevention of a relapse into unsustainable debt by making available grants or concessional loans. Access to additional lending in large volumes or unfavourable terms should be very cautious and gradual.

17. Net financial transfers on debt in many developing countries, including some African countries, are negative due to high debt service. Illicit capital flows also contribute to net negative financial transfers. In most African countries, domestic public debt is a concern as it crowds out private sector borrowing. MICs without access to financial markets have to similarly depend on domestic credit, leading to a credit squeeze on private sectors.

18. Capital flight needs to be stemmed through improved investment conditions, a deep financial system, anti-corruption measures and accountability of all domestic and external parties. There is also a need for international mechanisms for repatriation of assets - the Task Force/Leading Group on International Illicit Financial Flows initiated by the "Leading Group on Solidarity Levies" should be supported by countries and multilateral organizations. Additional research on the volumes and mechanisms of illicit financial flows is needed.

19. Development partners should go beyond establishing emergency global funds for LICs to set up growth-supporting global funds for investment in infrastructure, energy and skills development to boost growth as a means of poverty reduction.

20. More resources are needed to finance debt relief for HIPCs that are in conflict or post-conflict situations as their political, security and economic situations are challenging and have long-standing arrears with multilateral institutions. Selling more IMF gold to finance debt relief for these countries could be an important option to consider, subject to member country agreement.

21. With the increasing role of private creditors and emerging bilateral creditors, there is a need for greater creditor coordination. For example, the Paris Club has regular contacts with private sector representatives but enhanced dialogue with emerging lenders is needed.

22. Noting the limited membership of the Paris Club and the issue of representation and legitimacy, there were calls for more cooperation among all creditors. One possible avenue is to broaden the membership of the Paris Club to include non-member creditors and commercial creditors. Another is the establishment of more universal guidelines outside the Paris Club framework, covering all creditors, with developing countries playing a leading role.

23. The OECD export credit group has developed sustainable lending principles with regard to credit for low-income countries. On a global basis, there is a need for universal guidelines, with the participation of non-OECD countries, for enhanced cooperation between debtors and creditors to avoid another round of unsustainable lending.

c) Assessing debt sustainability

24. The IMF/World Bank Debt Sustainability Framework (DSF) has been used to monitor debt relief outcomes, construct the path of debt under different borrowing and macroeconomic scenarios and identify policies needed to maintain debt sustainability. A complementary framework for low-income countries that are more vulnerable to shocks and have weaker institutional settings incorporates these considerations and the need for joint creditor-debtor responsibility. Good governance is included as a key factor in sustainable public debt.

25. The DSF is effective only if used by both creditors and debtors. It is a valuable instrument to develop a medium-term strategy to meet development financing needs at a level and composition that is sustainable. It is also a tool to improve policy advice from the BWIs and regional development banks. An IMF capacity building programme in debt management has been stepped up to support debtors. Outreach to creditors by IMF has also been increased through information sharing in country debt sustainability analysis and awareness-raising on the need for enhanced cooperation.

26. The DSF needs improvement in transparency and information-sharing in the choice of scenarios and construction of indicators. Indicators should include sufficient examination of the domestic debt situation. Priority should be placed on achieving development goals in maintaining debt sustainability instead of improving debt service scenarios. In this regard, monitoring the impact of debt relief should include its development impact.

III. Policy deliberations

a) Progress and setbacks in the implementation of the Monterrey Consensus

27. A considerable number of representatives expressed their satisfaction that, as a whole, the debt indicators of developing countries had improved markedly since 2002. Most developing countries now had debt management programmes in place and had built reserves, thus reducing vulnerability. The widespread introduction of collective action clauses on debt contracts had been also a positive development.

28. Furthermore, it was pointed out that the implementation of Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) had contributed to a significant reduction of the debt burden of the 23 countries reaching completion point. The debt relief granted under both initiatives had been of the order of $ 110 billion. In the meantime, largely as a consequence of this, poverty reduction expenditures as a share of GDP had increased significantly.

29. With regard to developing countries who were not part of the HIPC initiative, it was noted that the Evian Approach of the Paris Club had also contributed to reduced debt burdens. Middle Income Countries (MICs) had seen their credit ratings improve and the interest spread on their borrowing decline markedly since 2002. However, many representatives stressed that a considerable number of countries - including LDCs and numerous low income and middle income countries - still faced very high or unsustainable debt servicing burdens.

30. Some noted that there was a considerable transfer of resources from the South to the North, partly because of debt servicing. In this regard, it was stressed that high levels of debt service hamper development. This was also true for some heavily indebted LDCs. In the view of some participants, total debt cancellation was necessary, particularly for LDCs and post-conflict countries.

31. Many representatives indicated that the pace of the HIPC initiative had been slow and that the attached conditionalities had significantly narrowed policy space in beneficiary countries. It was noted that half of HIPC countries that had reached completion point, had slipped back into unsustainability, and a number of them were facing lawsuits or litigations from commercial creditors and “vulture funds”. Moreover, in certain cases, debt relief had constrained the access to new credit.

32. Many delegates expressed that there had virtually been no progress in setting up an innovative mechanism to comprehensively address debt problems of developing countries, including MICs which, to a large extent, had been put aside. Numerous representatives stated that debt relief should not be counted as ODA or tied to political or excessive conditionalities. Some noted that debt relief has been unfair to countries with large development needs but low levels of debt.

b) Lessons learned and debt issues in the current juncture and the long-term

33. In the view of some representatives, sound macroeconomic policies and structural policies can help countries overcome debt problems through increased economic growth. In the long-term a more robust, well functioning domestic financial system was critical.

34. A large number of speakers expressed that responsible borrowing and lending was essential for maintaining debt sustainability in the long run. It was pointed out that this should be coupled with a transparent process and that it was important to pay attention to the “Principles and Guidelines to Promote Sustainable Lending in the Provision of Official Export Credit to Low Income countries” developed by OECD.

35. With respect to grants, it was noted that they were particularly important for over indebted low income countries. Indeed, IDA had increased its share of grants significantly since 2002. It was suggested that an institutional framework be designed to ensure an adequate use of resources obtained through IDA grants and other forms of concessional financing. Some representatives stated that there should be a minimum degree of conditionalities attached to any further debt relief so as to ensure that debt relief delivers poverty reduction. It was also stated that additional social expenditures as a result of debt reduction should take especially into account the gender perspective.

36. Some speakers warned that the switch from official to commercial borrowing and from external to domestic public debt is creating new vulnerabilities and risks. It was pointed out that to address this matter, there was a need to improve data collection of the composition of both the external and domestic public debt. It was also noted the need to address the issue of “free riders” in the HIPC and in the Paris Club processes.

37. With regard to the international financial system, many speakers warned of the impact and increased uncertainties derived from the sub-prime mortgage crisis and the risk of higher interest rates. Furthermore with respect to debt, it was noted that the international financial system will remain insecure and incomplete without a sovereign debt workout mechanism.

38. Related to the international financial system, it was pointed out that with more liberalized capital markets and floating exchange rates, the risk of substantial changes in the exchange rate of developing countries had increased, complicating matters because volatility of exchange rates might increase abruptly the debt burden. It was suggested that creditor nations and IFIs should pay more attention to this issue and develop a new mechanism for loans in domestic currencies. There was a need to strengthen the domestic financial system through renewed instruments like bonds in domestic currency. Also, IFIs should explore preventive mechanisms and support regional initiatives such as pooling of reserves. Another topic brought up by many speakers was the need for increased voice and participation of developing countries in institutions that set international financial policies and deal with external debt related issues.

39. Some speakers mentioned that the effective functioning of the global financial system would benefit from the establishment of an international debt commission to look for a multilateral approach to solving external debt problems. In this context, there was also a call for further consideration of the proposal to establish an independent debt arbitration mechanism to assess, adjudicate and pass judgment on debt reduction options.

40. In the view of various representatives, a debt resolution mechanism, aimed at guaranteeing fair burden sharing among debtors and creditors, whether they are dealing with official creditor debts or commercial debts, should be also considered.

41. With respect to credit rating, many speakers expressed their dissatisfaction with the present system. It was suggested that developing countries should have an input when the criteria to be used by rating agencies were being designed. Also, it was important to explore the possibilities of a multilateral approach to the credit rating process.

42. Many representatives referred to the need to build national capacities for debt management and debt sustainability analysis and a call for bilateral and multilateral support for implementation of debt management programmes, since sound financing and debt strategies are especially important. It was proposed that UNCTAD, The World Bank and the IMF should step up efforts in this area.

43. With respect to debt relief, a number of participants pointed out that additional resources were needed and that debt relief programmes should not constrain policy space. This was particularly important in the case of the SIDSs whose vulnerability makes them prone to debt servicing difficulties. It was pointed out that the BWIs should be more flexible when considering SIDSs for inclusion in debt relief programmes such as

HIPC/MDRI. It was further noted that for these countries technical assistance on debt management was critical. A similar suggestion regarding flexibility for the provision of debt relief and technical assitance was advanced for post conflict countries.

44. The case of MICs was mentioned by various participants. There was a need of effective consideration of their debt problems. One possibility mentioned was the adoption of debt swap mechanisms, i.e. swap of debt for MDG programs. These countries' income level often masked the true impact of the debt burden on their populations and their prospects of achieving the MDGs.

c) External debt sustainability frameworks (DSF)

45. A number of participants stressed that creditors should fully consider the debt sustainability of borrowers in order to prevent the occurrence of heavy indebtedness. All donors, including emerging donors should cooperate to enhance debt sustainability in borrowing countries. There was concern about emerging donors providing loans that might not be sustainable to countries that were benefiting or had benefited from debt relief.

46. It was noted that the DSF was an early warning system to be used by lenders and borrowers. Domestic debt was increasing and becoming substantial in several countries; thus, such debt should be included in the debt sustainability analysis (DSA) and debt management enhancement. Some participants pointed out that debt incurred to build physical and financial assets – particularly infrastructure and productive investments - was likely to be more sustainable than debt used to finance current expenditures, hence debt sustainability analysis should focus on both liabilities and assets. Some speakers suggested that recipient countries should participate actively in the DSA process.

47. Many participants highlighted that a review of the current debt sustainability frameworks in the IMF and World Bank was warranted. Debt sustainability frameworks should have development as an objective, including in particular, the achievement of the MDGs and other IADG.

Informal Summary of General Assembly Review Session 4
11-12 March 2008

Chapter VI of the Monterrey Consensus,
"Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development"

I. Introduction

1. The review session on chapter VI of the Monterrey Consensus was held from 11 (afternoon) to 12 March 2008. The meeting was chaired by H. E. Ambassador Maged A. Abdelaziz of Egypt and H.E. Ambassador Johan L. Lovald of Norway. Mr. Sha Zukang, Under-Secretary-General, Department of Economic and Social Affairs, presented opening remarks. The session consisted of an initial panel discussion and an interactive dialogue among all stakeholders. Panel presentations were made by Mr. Gerald Anderson, Deputy Assistant Secretary, Bureau of International Organization Affairs, Department of State, USA; Mr. Eduardo Galvez, Ambassador, Multilateral Affairs Director, Ministry of Foreign Affairs, Chile; Mr. Masood Ahmed, Director, External Relations Department, IMF; Mr. Mojmir Mrak, Professor of International Finance, University of Ljubljana, Slovenia; and, Ms. Jiayi Zou, Executive Director for China, World Bank. (The views of the panelists in response to questions from the floor are also included in the section II - Panel presentations). After the panel presentations, a policy discussion took place among participants, including representatives of governments, as well as institutional and non-institutional stakeholders.

II. Panel presentations

a) Main goals, current trends and new challenges.

2. Systemic issues in the Monterrey Consensus are primarily about enhancing the coherence and consistency of international monetary, financial and trading systems in support of development as well as about global economic leadership and governance. In this regard the systemic agenda should include two major broad issues: a) specific policies and actions to further the development perspective in the monetary, financial, and trading systems; and b) strengthening the voice and participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting.

3. Strong economic growth and dynamic institutional change are essential for development. The world has seen significant progress in this respect since the adoption of the Monterrey Consensus. At the same time, trends are emerging leading to new challenges which call for novel policy approaches and innovative measures.

4. Closer economic linkages have brought about significant economic benefits to many countries and peoples. Rapid globalization, however, has also led to conflicts of interest and to increased protectionist pressures. This implies new demands on and new challenges to the global economic governance system. More attention should be paid not only to promoting consistency of the macro-economic policies of developed countries but also to the interaction of developing countries and developed country policies. There is also a need for effective resource transfer to support achievement of the MDGs, a more stable financial environment for developing countries and a sufficient supply of global public goods.

5. New trends in the international economic landscape include: increased role of emerging economies; substantial global current account imbalances; large accumulation of foreign reserve holdings by a number of developing countries; the emergence of a new type of financial crisis; build-up of excessive global liquidity; and increasing marginalization of some international financial institutions, including the Bretton Woods Institutions (BWIs).

6. The share of developing countries in the global economy has increased to over 50 per cent in purchasing power parity terms. In recent years, emerging economies have been growing much faster than developed economies. Consequently, they strongly influence global demand and international financial market developments. The exports of emerging economies to other developing countries are growing faster than those to developed countries. There has been some "decoupling" of emerging economies from developed ones. However, decoupling does not mean disconnecting from globalization; it is essentially the result of structural adjustment.

7. Emerging economies as a group are running a current account surplus. Those countries, however, are not a homogenous group. There are countries with surpluses and deficits in their current accounts. Unlike many emerging economies, most developing economies have less than adequate savings.

8. In recent years current account imbalances have increased substantially both in nominal terms and as per cent of GDP. The large current account deficit of the United States has been accompanied by surpluses of Japan, emerging Asian economies and several energy and other commodity exporting countries. Meanwhile, the balance-of-payments adjustment process remains strongly asymmetrical. There is no real pressure to adjust in the country with the largest current account deficit and debt, nor is there effective pressure to adjust on countries with current account surpluses.

9. Global imbalances are largely the result of the globalization process where capital is chasing supply of cheap labor. This is unsustainable in the long run. A sizeable adjustment seems necessary to correct this since continuous devaluation in the largest economy might not be adequate or desirable. China and East Asia are called upon to lower their savings rate by stimulating domestic demand and encouraging consumption; the United States should contemplate lowering consumption and increasing its savings

rate; and the BWIs should support a more balanced world development and corresponding structural adjustment.

10. The financial crises in the1980s and the 1990s originated in emerging economies. Today their epicenter is in developed countries. Also, in those two decades, the financial crises were geographically concentrated. At present, they tend to spread globally causing considerable global slowdown. In the past, the BWIs played a rather important role in managing crises. Nowadays central banks of developed countries are key players as their focus is on financial institutions within their borders. BWIs' role in dealing with crises originating in developed countries is not clear.

11. The origins of excessive liquidity lie to a large extent in the current international monetary system. The use of national currencies as an international reserve currency, most prominently the US dollar, can be a source of inflationary pressures. There is a need for an international reserve currency. Indeed, in this regard it would be important to reconsider the role of the SDR.

12. BWIs have been increasingly marginalized as many members have prepaid their obligations to these institutions and new financial commitments to middle-income countries (MICs) have declined. There has also been marginalization on the policy side as fewer countries have IMF programmes. The BWIs have partly lost their relevance for all but low-income countries. Their role in managing crisis situations today is considerably smaller than it was a decade ago.

13. Though the BWIs have notable governance, financial and legitimacy problems, it is important that their credibility is fully restored and that they continue to play a substantial role in both achieving macroeconomic and financial stability and in fostering development. In addition to financing, BWIs should provide the basic forum for key aspects of financial regulation and economic policy coordination.

14. Exchange rate instability still represents an important challenge. Coordination of exchange rate policies has been recognized as helpful, but in practice it has not been working as well as desired. Being aware of this fact, the IMF-Board has recently adopted a new decision on exchange rate surveillance which formally opens the way for the Fund to play a more productive role. For this new multilateral exchange rate surveillance procedure to work effectively, full political commitment and support from the IMF membership will be needed. There are some indications, however, that achieving such political commitment still remains difficult.

15. Another major challenge is to ensure integrity and transparency of financial markets. While financial flows are increasingly global their regulation remains largely under national jurisdiction. There is, thus, an urgent need to improve cooperation among national regulators, to encourage them to adopt common standards in various areas, including bank liquidity, valuation of complex debt structures and activities of credit rating agencies. An international regulatory mechanism should also be considered.

b) Global economic governance

16. Strengthening global economic governance is a logical and critical response to development challenges in the context of globalization. There is a need for a balanced, effective, democratic and participatory global governance system to coordinate the interests of different countries and enhance common interests.

17. The UN and the UN system have an important role to play in systemic issues as these issues are essentially of a political nature. The Monterrey Consensus calls for the strengthening of the UN leadership and coordinating role in promoting development and for achieving an integrated view of monetary, financial and trade systems. Nevertheless, needed reforms in the UN often proceed more slowly than in the BWIs.

18. There should be a clearly defined division of labor between the UN and the BWIs. The UN should be an intellectual leader and political consensus builder while BWIs are mostly involved in implementation. BWIs are also involved in achieving macroeconomic stability and fostering development. In addition they provide a forum for financial and macroeconomic policy coordination. While recognizing that each institution should play its respective role, the MC calls for stronger links between UN, BWIs and WTO.

19. The BWIs remain important pillars of global economic governance in terms of the aid and international financial architecture. Cooperation on issues related to low income countries between IMF, the World Bank and UN agencies has been strengthened. In many developing countries there are pilot projects with joint involvement of BWIs and UN agencies. Nevertheless, there is an urgent need to further strengthen cooperation including between UN development agencies and WTO and between organizations dealing with debt issues. Also, there should be better coordination of the UN capacity building function.

20. There has been progress in strengthening voice and representation of developing countries in the IMF. The second round of quota increases based on new quota formula should be decided at the 2008 annual meeting. The share of basic votes will also be increased. Yet, countries have very different views on what indicators to use for a new quota formula and on how to measure them. This is a difficult issue, both technically and politically. In addition to the above, it has been proposed that there should be no veto power for any individual member state and that the number of developing country constituencies should be increased vis-à-vis the EU member state constituencies.

21. The WB is also considering steps to reform its own governance mechanism and is closely watching the progress at IMF on the issue. There is an understanding that simple reallocation of votes will not be enough. The voting power of developing countries as a group should be enhanced.

22. The governance reform should not be limited to the BWIs. It should also include other international financial, regulatory and standard setting bodies as well as WTO.

23. The “ownership” of the aid effectiveness agenda also needs to be addressed. This issue will be the subject matter not only of the OECD-DAC meeting in Accra in September, but also of the Development Cooperation Forum (DCF). The establishment of the DCF is, thus, a step in the right direction and provides an excellent opportunity to increase coherence of operations among UN Funds and Programmes as well as with other agencies.

24. The nature and focus of the annual ECOSOC-BWIs meetings need to be reconsidered carefully. A standing agenda that focuses on the reports of BWIs or a multi-year programme following the structure of the Monterrey Consensus could be adopted. There is also a view that BWIs that the ECOSOC-BWIs meetings should precede, rather than follow, the BWIs spring meetings.

25. There has been some important progress in cooperation in tax matters. Still, a stronger intergovernmental entity dealing with these issues may be called for. In this regard, UN member states should consider converting the Committee of Experts on International Cooperation in Tax Matters into a fully intergovernmental body subsidiary to ECOSOC.

26. Overall, the follow-up to Monterrey – and to Doha- requires more attention. Better, more effective mechanisms are needed to assess progress on issues and policies and decide on the corresponding necessary actions. Relevant stakeholders should be part of the follow-up process and take advantage of the outcome. The follow-up should include bodies and institutions dealing with trade, finance and development assistance with adequate participation of civil society and private sector.

27. In Doha, the international community could decide to create some structure of support for effective coordination and global economic governance. A post-Doha follow-up mechanism may take the form, for example, of an integrated multi-stakeholder Council or Committee on Financing for Development, including the BWIs, WTO, specialized agencies, civil society and private sector. The principal objective of such a body will be to change the nature of the existing follow-up “dialogues” at the UN which do not produce any agreed outcome to an integrated review of the Financing for Development Agenda and make viable recommendations to expedite its implementation.

c) Policies and instruments

28. As noted earlier, systemic issues involve more than the technical aspects of economic and financial issues; they also have important political dimension which have a substantial bearing on development. It is, thus, critical that the United Nations play a substantial role in impending reforms and implementation of new ideas. Also a key consideration is that as the nature of the problems and crises has changed, the instruments to solve or to manage them must also change.

29. IMF should focus more on overall systemic issues, including addressing the need for new forms of global regulation. It needs to strengthen multilateral surveillance and pay more attention to the consistency of macroeconomic policies of developed countries. It should promote the reform of the international monetary system including better management of external shocks, macroeconomic policy coordination, efficient multilateral liquidity provision, and consideration of a debt workout mechanism. Obviously the Fund can only play a greater role on all these issues only if the membership decides so.

30. In fact, the IMF has initiated discussions between member states on macroeconomic imbalances with the goal of narrowing them while maintaining growth. It is working on improving its facilities to provide liquidity during crises and, together with the BIS, the Financial Stability Forum and national supervisors, is working to determine how a new model of securitization is impacting financial flows and what it means for risk. In addition to regulatory issues, the recent financial turmoil has highlighted the macroeconomic dimensions of the problem. The Fund has also been asked to help sovereign wealth funds identify and begin to implement a set of good practices. More information on these funds appears necessary to counter protectionist pressures.

31. IMF programmes in low-income countries are also evolving. Maintaining debt sustainability after debt relief is now a key concern. As a number of low-income countries are increasingly drawing upon market sources of finance, the Fund is helping them learn from the market access experience of MICs. Besides, it is helping commodity exporting low-income countries ensure that current high revenues are managed and used effectively.

32. It is important for the Fund to identify priority areas in assessing systemic risks. A first step would be looking at hedge funds. In general, the assessment of risks is not an easy task; still, enhanced financial information and transparency go a long way in improving risk assessment. Nonetheless, in the case of individual countries there are often risks – mostly of a political nature – that are very difficult to evaluate.

33. The World Bank is changing its way of doing business: from a more "supply driven" approach to supporting the borrowing country's agenda. The major function of the Bank should be to mobilize development resources, including the development and introduction of innovative financial products as well as the facilitation of North-South, South-South, triangular and regional cooperation. In today's world the design of mechanisms to recycle global surpluses to productive investment is essential. In this regard, the Bank is introducing schemes to help channel liquidity from MICs to investment in low-income countries. The Bank should also consider providing more loans without a sovereign guarantee.

34. A new strategic theme, "Inclusive and Sustainable Globalization", has been proposed by the Bank's President. The theme's main focus is on: poverty in Africa; post-conflict countries; development strategies for MICs; more active role in the provision of regional and global "public goods" (climate change, diseases, labor mobility, technology

transfer); support for development opportunities in the Arab world; and fostering "development knowledge and learning agenda" across the World Bank Group.

35. The UN should focus more on assistance to fragile states. Dealing with these states is one of the serious gaps in the implementation of the Monterrey Consensus. Also, the UN should continue to promote capacity building aimed at attracting private flows to developing countries; one of the important emerging areas of cooperation is the promotion of entrepreneurship. All countries should sign, ratify and implement the UN Convention against Corruption which addresses central issues of capital flight.

36. It is important to further explore innovative sources of financing. The Leading Group on Solidarity Levies to Fund Development is considering many initiatives including fighting tax evasion and stemming illicit capital flows; possibly taxes on currency transactions; and implementing a digital solidarity contribution among others. Also, it appears important that the proposal to use SDR allocations for development purposes or to finance liquidity needs of developing countries is paid increasing attention.

37. The DCF provides an opportunity to discuss a wide array of issues related to aid. It should consider the possibility of becoming the "harmonizer" of the development assistance provided by international institutions. Also, country level coordination is important for improved coherence. Good examples of effective coordination and coherent action are: the work of the International Trade Centre, UNCTAD entrepreneurship training program "EMPRETEC", UNDP activities to support private sector, UNCTAD debt management program DIMFAST and the BWIs and UN MDG Africa Steering Group.

III. Policy Deliberations

a) Review of Progress and Emerging Issues

38. Many speakers noted that since the Monterrey Conference a number of challenges had intensified due to the rapid pace of globalization and interlinked markets. Inter alia, those challenges included: unsustainable trade and current account imbalances; large and volatile capital flows and their potential contagion effect; and marked exchange rate instability. It was in this context that the latest financial crisis – which, it was noted, originated in the country issuing the global reserve currency - was taking place.

39. A considerable number of representatives stated that the ongoing efforts to reform the international financial architecture lacked tempo and depth. The pace of reforms within the World Bank and the International Monetary Fund was too slow. The fundamental issues of increasing the voice and participation of developing countries in the BWIs had not been addressed decisively. The compartmentalization of the reform effort in the two institutions would make it virtually impossible to achieve in any coherent manner one of the stated major objectives of the reform, namely "to enhance financing for development and poverty reduction".

40. Many participants pointed to the lack of a clear set of international principles for the management and resolution of financial crises, while the G-8 continued to recommend and decide on measures to manage the international financial system without broader international representation. The current crisis originating from the failure of the sub-prime mortgage market demonstrated the continued short comings of the system. The crisis also suggested that the current international financial institutions did not have the capacity to effectively address such situations.

41. Numerous speakers expressed concern about high exchange rate volatility and economic instability, at a time when multilateral institutions like the IMF and the World Bank did not have the resources required to buffer countries from crisis. Thus, while the Monterrey Consensus stressed the need for creating liquidity facilities that could help affected countries to fight financial crises and contagion, many countries were resorting to holding increased reserve levels as self insurance. Moreover, the flow of resources from the BWIs had become negative: the net outflow from developing countries to those institutions had been over US$ 25 billion in 2006, indicating diminished reliance by many borrowing members on the BWIs.

42. A large number of representatives referred to positive developments after Monterrey including, the economic dynamism of developing countries and the recovery from the turmoil of the late 1990s, as strengthened policy reform in developing countries and improved surveillance since the early 2000s had been supportive of development. They highlighted that most of the multilateral institutions had taken steps towards reform and had embarked on new policy approaches. They pointed to the fact that the United Nations system was exploring means to further improve its coherence and that the Bretton Woods institutions had launched initiatives to reinforce developing countries' inclusiveness. Regarding the participation of developing countries in international economic decision-making, according to various speakers, their involvement had increased: more active participation of developing countries in the Doha trade round, in the "G-20" meetings, as well as in consultations in the Basel financial standards setting process (through a liaison group to non-committee members) and through ad-hoc invitations to selected countries to attend G-8 summits. An enlargement process was also taking place at OECD.

43. Numerous representatives pointed to the fact that the global context had changed considerably since Monterrey. The economic and financial system had evolved; emerging countries had gained in importance in the global economy and international forums, and new issues had emerged regarding environmental sustainability and evolving social conditions. With respect to the current juncture, several of them referred to the statement of the G-7 Finance Ministers and Central Bank Governors issued in Tokyo on 9 February. It had candidly admitted that the world is facing a more challenging and uncertain environment than in last October, but had also stated that the fundamentals of the global economy as a whole remained solid.

44. Various participants observed that stronger coordination of macroeconomic polices among industrial countries was proving difficult. The problem of the increasing number of unregulated or poorly regulated activities in the international financial markets such as hedge funds and financial derivatives as well as the lack of transparency and independence of credit rating agencies were also a cause for concern. Several participants pointed to the fact that the limited progress made in enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development made the task of achieving the MDGs much harder.

45. In the view of several speakers, sovereign wealth funds had become an important feature in the international financial landscape. They recognized the potential benefits for national economies open to investments by such funds; but also saw merit in identifying best practices for both investors and recipients. Others stressed that the current efforts to regulate sovereign wealth funds should consider an agreed framework built on broad representation.

b) Global economic governance and the Monterrey Consensus follow-up process

46. Many representatives called on the Doha Review Conference to decide on a clear and time-bound process to implement recommendations to improve the global economic, financial and monetary governance structures, strengthen the follow-up mechanism to the Monterrey and Doha Conferences and the leadership role of the United Nations in those areas. In this regard, they stressed it would be worthwhile to analyze various proposed options and alternatives for strengthening the institutional follow-up mechanism. They also stressed that an enhanced mechanism must be effective, inclusive and transparent in view of the need of an effective follow up to the Monterrey Consensus and any agreements reached at the Doha Conference. It was also pointed out that it should ensure a multi-sector approach taking into account international financial, trade, technological and investment trends that affect the development prospects of the developing countries.
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47. Numerous delegates referred to the positive developments in the UN system to strengthen the General Assembly and ECOSOC. The latter had been tasked to continue strengthening its role in system-wide coordination and the follow-up to the outcomes of the major United Nations conferences in economic, social and related fields, to enhance collaboration between the UN and the other major institutional stakeholders of the Financing for Development process, and to provide a universal forum where both donors and recipients can discuss matters relating to aid and aid effectiveness.

48. Many speakers recognized that governance reforms were essential to the continued effectiveness, legitimacy and credibility of the Bretton Woods institutions, indicating that the two main goals were firstly, to ensure that the distribution of quotas and shares adequately reflects the member countries' economic weight and role in the global economy and financial system; and secondly, the importance of strengthening the voice of low income countries in those institutions through a substantial increase of basic votes.

49. A significant number of representatives stressed that the governance regime of the BWIs needed major overhaul. In this regard, they called for fundamental reform of the institutions' voting systems and accountability structure, where significant redistribution of voting power in favor of developing countries - including the LDCs - should be the overarching objective of the reform. They also highlighted the fact that the Singapore resolution of 2006 called for at least a doubling of basic votes. However, this last measure would not affect to any significant extent the prevailing distribution of power in the governance system of the BWIs. They pointed to the proposal of a double-majority voting system ("one country, one-vote" and a weighted vote) for decision-making as one issue that deserved serious consideration. Numerous speakers welcomed the agreement reached at the annual meeting of the IMF in October 2007, which emphasized the importance of agreeing as soon as possible on a credible reform package with specific deadlines concerning the quotas and voice of all member countries of the Fund.

50. Many representatives noted that developing countries were acquiring a growing weight in the international trade arena and in the World Trade Organization; this was a welcome development. They also stressed the importance of supporting WTO initiatives designed to help developing countries build the necessary capacity to participate in WTO and other international trade negotiations. Various speakers expressed support to efforts in WTO to assist developing countries in strengthening capacity to handle trade finance instruments and build adequate trade finance institutions.

51. Many speakers highlighted the large number of global standards and codes, which are meant for global financial regulation, indicating that they are mostly being formulated outside the multilateral system. They called for effective representation of developing countries in standard and norm-setting bodies which would lead to a fairer, more widely accepted and truly universal regulation, and which could in turn contribute to a more stable financial system with welfare-enhancing effects for all. Indeed, the Monterrey Consensus pointed to the importance of ensuring effective and equitable participation of developing countries and countries with economies in transition in the formulation of financial standards and codes and their implementation on a voluntary and progressive basis. However, the challenge to involve all parties concerned, including the private sector and relevant civil society groups, still remained. Another challenge highlighted was to ensure that standards and codes were mutually consistent and, at the same time, flexible enough to be effectively applied in countries with advanced and less advanced financial systems.

52. A large number of participants called on the Doha Review Conference to recommend the establishment of a time-bound, independent process to examine more closely concepts such as systemic risks and systemic crises and the role of individual countries and autonomous financial movements. It was crucial to enhance regulatory and supervisory frameworks and to establish an inclusive process for devising measures aimed at increasing the accountability and transparency of private credit rating agencies.

53. A significant number of speakers highlighted the vital role of regional development banks in the respective regional governance structures. They pointed to the

fact that several regional development banks were collaborating closely with regional integration schemes on issues such as financial stability and trade integration.

54. A significant number of speakers recognized OECD's contribution to collecting data, identifying good practices and setting standards in various fields including development issues and economic rules. They welcomed the opening of discussions in OECD with a view to future enlargement of membership and its enhanced dialogue with emerging economies as well as its increased involvement in the North-South dialogue.

55. Many representatives asked for an examination of the overall arrangements for follow-up as set out in Part III of the Monterrey Consensus – "Staying Engaged", as there was a need for a fundamental discussion on the adequacy of the current arrangements. It was important to explore all possible avenues to ensure that in the future the objectives can be met on a timely and effective basis. Several representatives questioned, for example, whether the impact of and attendance at the Spring meetings of ECOSOC with major stakeholders were adequate and whether the timing and nature of the outcome were the most appropriate. In a similar vein, various participants suggested that the biennial High-level Dialogue of the General Assembly on Financing for Development should provide an agreed outcome.

56. In this context, a large number of speakers asked for monitoring the effectiveness and comparative advantage of the new mechanisms under ECOSOC and the further strengthening of both the General Assembly and ECOSOC in the follow-up of recent decisions on economic and social development, including financing for development. While some representatives were of the view that existing arrangements were adequate, many participants indicated that the time was ripe for a considerable strengthening of the Financing for Development intergovernmental follow-up process, and that proposals that had been advanced in this regard should be reviewed carefully, with a view to taking the most appropriate decisions.

c) *Enhancing institutions and policies*

57. A number of speakers stressed that all countries share responsibility for promoting the prosperity and sustainability of the world economy. They emphasized that this was especially true in light of new realities, such as the increasing flows of private capital, the growing power of emerging economies and the fact that global imbalances were fundamentally a multilateral challenge. The work of the international financial institutions to address global imbalances had to be underpinned by domestic efforts: by well-regulated banking and broader financial services; by appropriate exchange rate policy, savings and investment; by adequate trade policies and tax system; and by other complementary domestic economic policies. Also, many participants underlined that the BWIs must be representative, financially stable and transparent, as these elements were central to the two institutions maintaining their relevance and legitimacy in an evolving global context.

58. Many representatives highlighted the importance of multilateral surveillance and the associated process of policy coordination. In this regard, they underscored the need for the IMF to further strengthen its surveillance activities for all economies. They stressed that the focus of surveillance in this regard should be on the stability of the system as a whole, particularly on the spillover impact of macroeconomic and financial policies of the larger economies on other countries. They also indicated that this would require more rigorous surveillance over systemically important countries issuing major reserve currencies. Several representatives welcomed the efforts undertaken by IMF to sharpen tools designed to help promote international financial stability and enhance crisis prevention, in particular, the consultations to address global imbalances in a manner that sustains economic growth.

59. A considerable number of participants stressed the importance of formulating a strategy oriented at reducing the volatility of exchange rate markets as well as enhancing the transparency of their operations. More transparency was also necessary in the regulatory frameworks and interventions carried out by monetary authorities in this area.

60. Several speakers stated that the IMF should consider paying more attention to analyzing the repercussions of financial sector developments on the real economy. They also referred to the large reserves accumulated by developing countries as self insurance. The opportunity cost of such large reserve was often quite high. It was important to devise ways by which surplus developing countries find an outlet to use such reserves in their own development or for financing development in other developing countries.

61. Many representatives emphasized the importance of establishing appropriate, clear and transparent criteria for private sector activities that exert a strong influence on the policies and situation of developing countries, including credit rating agencies. They also stressed in this regard that developing countries should have sufficient policy space to put into effect their development strategies and to improve their capacity to implement counter-cyclical policies to respond to the downward phase of the economic cycle.

62. In this regard, a considerable number of speakers called for both multilateral and bilateral partners to refrain from imposing conditionalities that run counter the national development strategies of developing countries. Cooperation based on partnership should lead to a flexible approach reflecting the sovereign power of each country to set its own priorities, as well as the responsibility and commitment of the international community to provide support.

63. Some delegations also highlighted the importance of regional frameworks, particularly financial arrangements that can complement the international financial system, make individual economies more resilient and serve as a mechanism in any effort to prevent financial crises. In this regard, a special reference was made to the role of the Chiang Mai Initiative.

64. Some speakers emphasized that the World Bank Group, IMF, regional development banks and other development oriented financial institutions should strongly

support and provide leadership around the principles of the Paris Declaration - ownership, alignment, harmonization, management for development results, mutual accountability - and to work closely together in support of nationally-owned poverty eradication programmes and other development programmes.

65. Many delegations called for the international financial institutions, in particular the BWIs, to increase their support for the implementation of the MDGs through enhanced delivery of technical assistance and concessional lending. They stressed in this regard that, for LDCs, IDA should to shift to an all grant facility without any conditionality. A large number of delegates also called on the international financial institutions to strengthen their commitment with middle-income countries, taking into account their specific needs, and as a way to reinforce their national development strategies.

66. Many countries expressed concern about capital flight, illicit financial activities and transfers, tax evasion and corruption, and called on sustained international cooperation to fight those ills. They emphasized that international oversight institutions should continue strengthening existing mechanisms such as the United Nations Convention Against Corruption. They stated that the ratification by all countries and full observance of the Convention should be further promoted.

67. Many speakers called for upgrading the present United Nations Committee of Experts on International Cooperation on Tax Matters to an intergovernmental commission with appropriate representation to reflect all interests. They stressed in this regard the special importance of addressing the concerns of small, vulnerable developing countries. They pointed out that the agenda of existing institutions, which address international tax matters outside the UN, was still largely lacking a development dimension, besides not being universally representative.

68. Many speakers expressed the need for mainstreaming the gender perspective into development policies. They acknowledged that while significant advances have made in the area of gender responsive efforts, further efforts were needed to ensure the shift from analysis to implementation. The CSW had considered various ways to strengthen the advancement of women through the Financing for Development process. Also it was pointed out that multilateral institutions, particularly the World Bank, should pay increased attention to core labor standards and the decent work agenda.

69. A number of representatives addressed the specific vulnerabilities of small island developing economies. Several of them pointed out that many of these economies were based on agriculture and were particularly vulnerable to price fluctuations in the international commodities market. It was important to develop a workable mechanism to help mitigate the impact of such market events.

70. Various speakers stressed that the process of enabling all countries to participate on the global market requires commitment from all actors to support effective regional transport and communications infrastructure to integrate markets in the international

trading system. In this regard, they called on all donor countries and multilateral financial and development institutions to continue their efforts to ensure effective implementation of the Monterrey Consensus, particularly paragraphs 41 to 43, with the aim of providing landlocked and transit developing countries with the appropriate financial and technical assistance to achieve the needs identified in the Almaty Programme of Action. The mid-term review of the Programme would take place soon after the Doha Conference and, to that effect, it was important to pursue an integrated process building on the platform provided by the Monterrey Consensus.

THE PRESIDENT
OF THE
GENERAL ASSEMBLY

12 March 2008

Excellency,

Summaries of the review sessions that took place on Chapter I of the Monterrey Consensus, "Mobilizing domestic financial resources for development" on 15 February, and on Chapter II, "Mobilizing International Resources for Development: foreign direct investment and other private flows" on 16 February are now available on the President's website and has also been e-mailed to your mission.

Each session was well attended and the interactive debates among all stakeholders were extremely substantive. I look forward to your continued support during the Financing for Development preparatory process.

Please accept, Excellency, the assurance of my highest consideration.

Srgjan Kerim

All Permanent Representatives, Permanent Observers
and Financing for Development Institutional Stakeholders
United Nations, New York

10/3/2008

<u>Informal Summary of General Assembly Review Session 1</u>
<u>14 February 2008</u>

Chapter I of the Monterrey Consensus,
"Mobilizing domestic financial resources for development"

I. Introduction

1. The preparatory process of the Follow-up International Conference to Review the Implementation of the Monterrey Consensus (Doha, Qatar, from 29 November to 2 December 2008) was launched on 14 February 2008 with a Review Session on Chapter I of the Monterrey Consensus, “Mobilizing domestic financial resources for development”. The two Facilitators of the preparatory process, Ambassador Maged A. Adbelaziz of Egypt and Ambassador Johan L. Løvald of Norway, chaired the meeting.

2. At the opening of the meeting, Ambassador Adbelaziz read out the opening remarks of the President of the General Assembly, Dr. Srgjan Kerim. Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs presented the introductory remarks of Mr. Sha Zukang, Under-Secretary-General, Department of Economic and Social Affairs. The statements were followed by an initial panel discussion and an interactive dialogue by all stakeholders. Panel presentations were made by Mr. Nelson Barbosa Filho, Deputy Secretary of Economics, Ministry of Finance, Brazil; Mr. Carlos Braga, Director, Department for Economic Management and Debt Reduction, World Bank; Ms. Nilufer Cagatay, Professor of Economics, University of Utah, USA; Mr. Mushtaq Khan, Professor of Economics, School of Oriental and African Studies, University of London, UK; and Mr. John Sullivan, Executive Director, Center for International Private Enterprise, USA. (The views of the panelists in response to questions from the floor are also included in the section II - Panel presentations). After the panel presentations, a policy discussion took place among participants, including representatives of governments, as well as institutional and non-institutional stakeholders.

3. In his opening statement, the President of the General Assembly underlined the critical role of the Monterrey Consensus in forging a global partnership for development and achieving the Millennium Development Goals. Even as growth prospects have improved in developing countries, inequality between and within countries was still rising. Moreover, the recent financial turmoil could reduce demand in developed countries with significant spillover effects into emerging markets and developing countries. It was therefore crucial to promote equitable growth that leads to human development and supports opportunities and benefits for all. Calling climate change a major threat to long-term prosperity, the President underlined that the Financing for Development process had a special responsibility to support mitigation and adaptation efforts of member states.

4. The Under Secretary-General of DESA underlined that in the Monterrey Consensus countries reaffirmed the primary responsibility of developing countries to mobilize their domestic resources for development. Developed countries should be active partners in the development process. While many developing countries had improved their macroeconomic management, further regulatory and legal reforms were needed to enable the business sector. Private capital flows played an important role in supplementing developing countries' domestic resources, yet the overall development impact of flows was limited by the concentration in a dozen fast-growing emerging markets. Increased efforts were needed to promote the reach and the development impact of foreign direct investment. In concluding, the Under Secretary-General emphasized that the current international financial turmoil further underscored the need for a robust global partnership for development.

II. Panel presentations

Role of government, governance and the growth imperative.

5. It is important for governments to have a vision of sustainable and inclusive development. A national development strategy identifying main objectives and policy orientation is necessary to make progress toward this vision. Such a strategy is the basis of good policy management. Economic growth should be one of the main objectives since it is a sine qua non of sustainable development. Since 2002, developing countries have made important progress in many areas of domestic resource mobilization and economic growth has accelerated.

6. Partnership as emphasized in the Monterrey Consensus is critical to supporting and facilitating development. A sound international economic environment is also essential. National ownership of policies is crucial for effective development management. Cooperation policies should consider streamlining conditionalities. Policy space is a key factor in the promotion of sustained economic growth.

7. A market-friendly environment will encourage private economic activity and promote growth but will not necessarily address income inequality. Government has a fundamental role in addressing market failure and ensuring an equitable income distribution. It should also address the issue of corporate governance to ensure conditions that attract investment and facilitate the survival of firms.

8. Increasing public investment in infrastructure and services for the poor is essential to support sustained and equitable growth. Sound public investment will pay for itself in the future.

9. Mobilization of private and public domestic resources is often constrained by institutional and political weaknesses in developing countries; this is a governance problem. Good governance at the international level is also critical. There is increasing consensus on the elements of good governance at the national level: participatory democracy, effective rule of law, gender equality, stable property rights and absence of

corruption. If such conditions are realized, individuals will feel confident to save and businesses to invest, and people will be served by an accountable government promoting social justice and providing for the common good.

10. In most developing countries, the realization of such conditions will require significant time, considerable financial resources and enormous political effort. For example, adequate consolidation of property rights requires not just a commitment form government but also the allocation of resources on enforcement, arbitration, protection and conflict resolution. This should not imply abandoning an ambitious agenda for institutional reform. Rather, it implies a pragmatic, selective approach that yields an impact on resource mobilization and efficiency of investment in the near future. There is historical evidence that this path had be taken by economies that were developing successfully.

11. A viable strategy for governance reform should identify narrowly defined and feasible areas and scale up results and should be linked to the national development strategy. These areas may differ among countries because the initial conditions and dominant market failures are different, as are their institutional capacities. One important potential area is the building of risk-sharing institutions. Another is anti-corruption strategies which should similarly focus on a few narrowly defined aspects that affect the implementation of critical national development policies and programmes.

12. Technical assistance in governance reform and institutional building is needed in most developing countries, but particularly in LDCs, LLDCs and SIDSs as well as countries emerging from conflict. International cooperation in support of pro-poor policies in low-income countries is important as well as in middle-income countries with large pockets of poverty.

13. Countries with small economies face a size constraint on growth and can benefit from regional cooperation in trade and investment.

Macroeconomic objectives and policies.

14. Sound macroeconomic policy should promote growth and employment, improve income distribution and enhance resilience to shocks. Macroeconomic policy should be sound, solid and flexible and adapt to long-term structural changes that are taking place in developing countries. It should also include counter-cyclical elements to counter short-run fluctuations. Two important elements of employment objectives are full employment of men and women and sufficient opportunities for decent work.

15. As low and stable inflation is a public good, monetary policies should be geared to this target. But there are many paths to low inflation. While high inflation has the potential to degenerate into hyperinflation and should be avoided, too low short-run inflation targets can lock the economy into a low growth path. Therefore, it is important to tune the speed of convergence to low inflation.

16. The amount of capital flight – legal and illegal outflows - from some developing countries is staggering. This might signal a weakness in macroeconomic policies. Capital flight is often a result of poor governance, lack of confidence in the national economic stability or more attractive investment opportunities elsewhere. Countries have to weigh whether removing restrictions to capital flows will aggravate capital flight or help develop the financial system. In any case, prudential regulation is fundamental.

17. Developing countries often face a balance of payments constraint. Exchange rate policy should be flexible and pragmatic to support sustained economic growth and other development objectives.

18. In recent years, there has been more emphasis on fiscal policy space which can be increased through mobilization of domestic revenue, more productive investments, improving expenditure efficiency and increased external aid. In many low-income countries it has been a major challenge to replace import tariffs with equivalent tax revenues.

19. A key objective of fiscal policy should be sustained economic growth which requires the mobilization of fiscal revenues in a sustainable manner. There is scope in most developing countries to increase tax revenue through effective tax collection, progressive tax rates, modernization of tax legislation and broadening of the tax base. Perceived accountability of national and local governments should be enhanced through the linking of tax collection and service delivery. Lessons from some countries show that some reduction in tax rates can increase compliance and simplification of the tax system can increase coverage. Mobilization can also be strengthened by more effective expenditures and sound debt management. Cautious management of government revenues from exploitation of natural resources is important as is insuring a fair share of commodity revenue flows.

Social policies, enhancing the domestic financial system and entrepreneurship.

20. The Monterrey Consensus commits to a holistic approach to people-centred development. Mobilization of human resources is important in achieving sustainable development. The qualification of the labour force is a key consideration of investors. Since to a significant extent the brain-drain is a result of "pull" factors, cooperation is necessary to counter this flow of skilled workers from developing countries and to create better domestic opportunities.

21. Gender inequalities persist in labour markets, credit markets and distribution of assets. The Monterrey Consensus needs to be strengthened regarding gender equality issues, giving more specificity to the issues included. There needs to be a better understanding of the role of women in development, moving beyond their roles as caregivers and labourers. Macroeconomic policies should be more coherent with other policies in terms of gender equality. Policies should go beyond gender budgeting and take into account tax issues, business cycles, employment and decent work for all and the unpaid "care economy". Reforms should also address the bias against women in property

rights. In social protection policies, it is important to consider family allowance policies privileging the mother.

22. Entrepreneurship is the basis of a dynamic economy. It is important to focus on the foundations of entrepreneurship. There must be incentives for creating and doing business. There should be public-private dialogue to establish and expand family-owned, small and medium enterprises. Important areas of reform include: strengthening corporate governance, anti-corruption measures, including principles of transparency and accountability, increasing the profitability of doing business and simplifying procedures for establishing new businesses. Development of the informal sector should also be targeted.

23. National development banks can address three areas of market failure in the financial sector of developing countries: the insufficiency of long-term finance, shortage of infrastructure investment and financing of small and medium-size enterprises. Better access to finance for small and medium-size enterprises is vital to development, including microfinance providers that serve women and small rural enterprises and households; hence, the importance of policies promoting an inclusive financial sector.

24. Remittances constitute a growing flow of resources to developing countries. This is opening new opportunities in local areas benefiting from such flows for developing the banking sector and new income-generating activities.

III. Policy deliberations

Review of progress and key strategic considerations.

25. Many representatives expressed satisfaction and appreciation for the panel presentations and said that the commitments outlined in the Monterrey Consensus reflected the critical need of enhancing the international economic environment and the implementation of development policies in key areas by developing countries. The key areas included macroeconomic policy-reforms, strengthened macro-economic and fiscal management, reform of legal and regulatory systems, increased investments in economic and social infrastructure, the development of the financial system – including an expanded access to micro, small and medium size enterprises, increasing public and private savings, strengthening governance, and intensifying the fight against corruption. There was a convergence of views that developing countries had made significant progress in most of theses areas. Such progress had been clearly reflected in annual reports of the major institutional stakeholders as well as in the reviews and analyses of scholars and NGOs.

26. Several speakers stressed that that the Monterrey Consensus was the foundation of the global partnership to achieve the internationally agreed development goals, including the Millennium Development Goals. While external resource flows had an important supporting role to play, sustained long-term development could only be achieved through successful mobilization of domestic resources. There had been positive

developments since the adoption of the Monterrey Consensus. Economic growth was accelerating and developing economies were achieving increased stability partly in response to an improved mobilization of domestic resources. Yet, in some regions growth acceleration had not always resulted in the improvement of human development indicators, and had not been inclusive or pro-poor.

27. Several participants highlighted that creating a positive investment climate was one of the most pressing tasks facing development. This required action in strategic areas: the national financial and institutional systems – particularly the ones that encourage entrepreneurial activity, public-private partnerships, national and local governance, human resource development, macroeconomic policies, the economic empowerment of women, and the incorporation of small scale producers into the broader economy. Some delegates stated that the private sector should take the lead in achieving sustainable growth and mobilizing domestic resources. In this regard, it was important to lower excessive costs and streamline bureaucratic procedures to register new business, formalize informal activities and expand existing firms. Some speakers stressed that implementing reforms to eliminate bureaucratic red tape, as well as putting in place and enforcing laws against corruption, should be a priority in many countries.

28. Numerous delegates pointed out that the efforts of all partners, including multilateral institutions, should encompass all the actions outlined in the Monterrey Consensus. Such actions were mutually reinforcing and a comprehensive approach would optimize the synergies between domestic resource mobilization, aid, international trade, private capital flows, and debt relief. Several speakers said that recent progress had made developing countries more resilient. They were better prepared to cope with the global deceleration of growth due to the current financial turmoil.

29. A large number of speakers pointed out that in key areas, where improvements in the international economic environment were necessary, progress was lagging: the Doha Development Round of Trade Negotiations had barely advanced; global financial markets remained volatile; and the outflow of highly trained and skilled persons from developing countries persisted, in part as many developed countries were systematically recruiting them while restricting the movement of the semi-skilled and unskilled workers. Policy space remained constrained and conditionalities remained strong despite the general view that they were counter productive. Moreover, progress had been insufficient in addressing the special needs of Africa, the Least Developed Countries, Small Island Developing States, and Land Locked Developing Countries and in confronting the development challenges of countries emerging from conflict.

30. In this regard, according to a number of participants, LDCs and SIDSs remained very vulnerable. For these countries, additional technical assistance support was necessary and ODA and debt relief continued to be required to bridge their savings-investment gap. Also for them, as well as for LLDCs, more external resources were crucial for infrastructure investments - a critical ingredient of sustained development. In addition, several representatives noted the special needs of countries transitioning to a market economy, which required support for the development of their legal systems.

31. Poverty eradication, according to many participants, was a crucial challenge for developing countries and the efforts to combat poverty required international support. Assistance was essential for LDCs. Yet, it was indicated that such support was also important for middle-income countries to complement their efforts in fighting poverty and inequity. Also, it was pointed out that climate change posed new challenges and this should be taken into account in the Financing for Development process.

32. A number of representatives indicated that on the road to Doha there should be more emphasis on analysis of successful efforts and lessons learned. A judicious incorporation of best practices in different policy areas could make a significant contribution to policy implementation and development. Economic freedom and investing in people fostered the mobilization of domestic resources. Some pointed out the importance of promoting and consolidating social cohesion. Others stressed that natural resources should be used to serve national interests. There were convergent views on the adequacy of no one-size fits all approach and that national ownership was critical for effective policy management and sustained development. There was also convergence on the need for small-size economies and particularly SIDSs to promote greater economic integration.

Macroeconomic policies and the mobilization of public revenues.

33. In the view of many representatives the mobilization of public resources and adequate fiscal policies were critical for sustained development. The link between the national development strategy and the reality of budget allocations were often in need of strengthening in developing countries. In order to fund essential public services and investments, it was important to enhance public revenues and use national resources effectively. There was considerable scope in many developing countries to raise additional revenues. This required a more effective and just tax system, including an efficient tax administration.

34. A large number of representatives noted the close link between improving governance and increasing the tax base and revenues. The willingness of taxpayers to pay taxes derives from peoples' trust in the ability of Government to meeting their needs. This was at the root of public accountability and required a transparent budgetary process, as well as transparent public finance management. The agenda for public finance and administration reform was ample, including areas such as public expenditure control, budgeting process, transparency in procurement, civil service reform, and tax administration. In this regard, strengthening international cooperation in tax matters, particularly through the UN, could be crucial.

35. Some participants pointed out the need for developing countries to further explore how monetary and fiscal policies could directly stimulate capital accumulation and economic growth. It was stated that in many developing countries it was important to scale-up public investments; in fact, the positive impact of public investment on competitiveness was often ignored. In a context where public expenditures are fully

covered by current revenues government could borrow to invest as long as public debt is sustainable and balanced over the course of the economic cycle.

36. Many representatives stated that trade liberalization and tax competition, regarding foreign direct investments, had eroded the tax base. Revenues from tariffs could not be easily substituted by new or higher taxes, particularly in LDCs. It was important, therefore, that LDC's development partners assist such countries in their trade and investment negotiations to prevent further erosion of their tax base. It was underscored that it was also important to strengthen multilateral cooperation on tax issues through the consolidation of the UN Committee of Experts on International Cooperation in Tax Matters. For countries rich in natural resources, the commodity boom had led to considerable higher revenues. Given the fact that some of theses natural resources could eventually be exhausted and that the high prices might end, it was important for governments to explore how to retain a greater share of the commodity rents and to channel these rents to a stabilization fund or to investments that could help to attain a more sustainable development path.

Human resource development and financial sector deepening.

37. Numerous representatives focused on investment in human capital as paramount to sustained development and the eradication of poverty. Strengthening human resources required enhanced, non-discriminatory education and health policies, basic infrastructure – particularly targeting the poor, better social protection, and active labour market policies leading to decent work for all. Further efforts were necessary in all these areas.

38. Many participants called for gender equality and the empowerment of women. Their contribution to development could increase markedly and benefit all; yet, the Monterrey Consensus had not paid sufficient attention to these issues. The women's role was critical in formulating and implementing poverty eradication policies. The gender aspects of development should be considered beyond the social sectors and encompass other policy areas such as economic growth, migration, the environment, peace building, and reconstruction.

39. The development of the domestic financial sector, according to many representatives, was of the utmost importance in numerous developing countries. It was central to the mobilization of domestic financial resources. A diversified, well regulated, inclusive domestic financial system that promotes and captures savings - and channels them to sound projects and ideas - was a key pillar to sustain development and a dynamic private sector. It was essential to provide adequate financial services, including long-term funding, to small and medium-size enterprises. Yet, new efforts by governments in this area should complement rather than compete with private financial activities. Some participants pointed out that national development banks could be instrumental in providing long-term capital for productive activities and financial resources for infrastructure.

40. A number of representatives stressed that widespread access to finance – developing an inclusive financial sector that provides a wide variety of financial products- was vital. It was essential to ensure financial services that reach women, rural areas and the poor. Micro-credit was important for micro-entreprises and small family firms. For many female entrepreneurs micro-credit was crucial to their success. Many speakers emphasized the importance of enhancing national and international efforts towards strengthening micro finance.

41. Many participants referred to the increasing importance of remittances for a substantial number of countries. The amount of these private flows continued to increase significantly. Additional measures were necessary to lower the cost of transferring such flows. Moreover, countries in which such flows originate could explore ways to assist migrants in increasing them. It was also noted that remittances could provide an opportunity at the local level to promote development and banking activities.

42. Various speakers pointed out that capital flight represented a major loss of resources for developing countries. According to some estimates annual amounts of legal and illegal outflows reached hundreds of billion of dollars. The factors that triggered such flows were several: inadequate macroeconomic policies, lack of trust in the national economy, funds obtained through illegal or criminal operations, deficient tax administration capacity, lack of transparency of cross border flows and insufficient international tax cooperation. It was important to increase efforts in all these areas in a way that addresses these factors and reduces the opportunities and incentives for such capital flight. A number of representatives stated that a global partnership was required to prevent transfer abroad of corrupt assets as well as to help their recovery. It was also important that all countries become parties to the United Nations Convention against Corruption and ensure that it is effectively implemented.

Informal Summary of General Assembly Review Session 2
15 February 2008

Chapter II of the Monterrey Consensus,
"Mobilizing International Resources for Development:
foreign direct investment and other private flows"

I. Introduction

1. The 15 February 2008 review session on chapter II of the Monterrey Consensus was chaired by Ambassador Maged A. Abdelaziz of Egypt and Ambassador Johan L. Lovald of Norway. The meeting consisted of an initial panel discussion and an interactive dialogue by all stakeholders. The panel presentations were made by Mr. Mansoor Dailami, Manager, Office of the Vice-President for Development Economics and the Chief Economist, World Bank; Mr. Prabhat Patnaik, Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University, India; Ms. Molly Pollack, Executive Director, Chile Global Chile; Mr. John Simon, Executive Vice President, Overseas Private Investment Corporation, United States; and Mr. Rogerio Studart, Executive Director, Brazil, World Bank. (The summary views of the panelists in response to questions from the floor are also included in section II – Panel presentations). After the panel presentations, a policy discussion took place among participants, including representatives of governments as well as institutional and non-institutional stakeholders.

II. Panel presentations

Trends and policy frameworks in private resource flows to developing countries.

2. Private capital flows to developing countries have been on a strong upward trend, since 1970, with boom-bust cycles in 1982, 1984 and 1997. Such flows are being supported by domestic economic reforms, improved macroeconomic fundamentals and higher economic growth. This has been recognized by international financial markets and reflected in significantly lower bond spreads.

3. The impact of the recent financial turmoil on emerging markets have been limited so far, but private capital flows are expected to decline somewhat in the short term due to a moderation in global growth and tighter credit conditions. However, the prospects for increasing private capital flows to developing countries are positive in the long-run, driven by their age-population structures, cost advantage and promising medium to long-term outlook for investment and growth. It was noted that the current financial turmoil did not start in developing countries as was the case in previous crises.

4. Since the International Conference on Financing for Development in Monterrey, many developing countries, including a considerable number in Africa, have improved policy fundamentals and growth prospects and are attracting increasing levels of private capital inflows and a number of investment funds. Foreign direct investment has grown at

a healthy pace. The basic lesson is that countries need to have their house in order and maintain consistent and sustainable growth to attract foreign private capital. Since 2002, the percentage and absolute number of the poor has decreased in Latin America coinciding with a larger flow of FDI and other external flows.

5. Yet, gaps and weaknesses persist. While foreign direct investment has increased, it remains concentrated in a few countries. Despite the increase in private financial flows to developing countries, these have to an extent been the result of the rapid and unsustainable increase in liquidity, in the main developed financial markets including the mortgage and credit markets. Progress on reforming international trade has been limited and the international community has also failed to establish an international financial architecture that would enhance the level and stability of private capital flows to developing countries.

6. A number of developing countries have benefited from the recent increase in commodity prices. However, the extra revenue from this has in a number of instances ended up as accumulated reserves or been used to repay debt. This reserve accumulation could in many cases be put to better uses such as expanding infrastructure and productive capacity or more directly tackling poverty. In many instances, reserves exceed the levels necessary for prudential policy and protection against shocks; yet high reserve levels may generate improved sovereign ratings. Notwithstanding, countries have however established investment companies and sovereign wealth funds to use reserves for productive purposes, often investing in bond and equity markets. More consideration nevertheless needs to be given to how the high level of reserves in many countries can be employed in a manner that furthers development.

7. A significant development has been an increase in local currency debt issuance by both public and private sectors in some developing countries. The economic effect can be similar to increasing the stock of external debt when many of the creditors operating in the domestic market are foreign.

8. It is important to create a business-friendly environment in developing countries, strengthen risk-sharing mechanisms, promote public/ private partnerships and increase the domestic market through human capital development and measures to ensure that growth is inclusive. It is also needed to invest in infrastructure and foster regional integration and south-south cooperation. While developing countries should create appropriate incentives to attract productive foreign capital, they should be cautious of short-term and potentially destabilizing capital flows. In this regard, an appropriate sequencing of financial liberalization is important.

9. International institutions should support further infrastructure development, venture capital and other lending instruments, and facilitate business contacts and public/ private initiatives. They should also employ existing instruments and create new ones to expand their support to developing countries to attract stable and longer-term private capital flows.

10. The international community at large should ensure that there is an enabling international economic environment, including a fair trade system and a stable and inclusive international financial architecture. Trade agreements should consider incorporating labour standards. Countries should be on an equal footing to ensure mutual benefits from bilateral trade and investment agreements.

11. It is important that the business sector respects labour standards, becomes more socially responsible and gender sensitive and considers the environmental implications of their undertakings. They should be more transparent and respect national and international rules and principles.

12. Multilateral and bilateral efforts could strive to facilitate private capital flows to, and mobilize private resources within, developing countries. An example provided was the Small Business Finance Initiative for Latin American Banks that was recently launched by the United States, to help U.S. and local banks improve their ability to extend good loans to small businesses in Latin America. Moreover, the efficient movement of private capital needs to be complemented by the efficient movement of labor and, in this regard, developed countries should consider easing restrictions on labor mobility.

13. Further progress should be encouraged in strengthening private capital flows to low-income countries and to facilitate the financing of small and medium-sized enterprises, housing and private equity. There is also a need for cooperation to establish investment vehicles for low-income countries and to facilitate the dissemination of best practices in attracting sustainable long-term private capital from abroad.

Enhancing FDI flows and policies.

14. FDI continues to be the largest and most stable capital flow and is increasingly focused on services. While it is highly concentrated in a few large economies, as a percent of GDP its levels in low-income countries are on a par with those in middle-income countries. In absolute terms, FDI inflows are related to income per capita and low-income countries attract limited levels of these flows. Through facilitating the transfer of knowledge and technology, increasing employment generation, and enhancing productivity, cross-border linkages, competitiveness and entrepreneurship, FDI can serve to stimulate economic growth and reduce poverty.

15. In assessing the development impact of FDI, it is however important to distinguish between the different forms as there are conditions under which FDI does not contribute to development. Yet it can be particularly beneficial in the industrial sector, particularly when it is linked to manufacturing exports. However, where it takes the form of mergers and acquisitions, it may not augment the real resources of the economy; rather, its main impact might be to increase the supply of foreign exchange, leading to more accumulation of reserves or an unwanted appreciation of the exchange rate. Even greenfield investment can lead to a net employment loss when increased imported inputs replace domestic production or through the promotion of less labor intensive activities.

Moreover, in the effort of trying to attract foreign investment, countries may discriminate against local enterprises and erode the domestic tax base.

16. FDI can also be questionable in the extractive industries, where capital intensive corporations may predominate and where a large proportion of the revenues are repatriated overseas. Low income countries with natural resources should ensure that appropriate standards are being complied with and moreover should try to ensure that the revenues from this sector are employed to diversify their economy. FDI can sometimes also be volatile and negatively affected by global conditions.

17. Development finance institutions and bilateral donors can play an important role in attracting FDI to lower-income countries through risk-sharing or risk-mitigation techniques. They can also inform investors about prospects and thereby address the perception-reality gap faced by these countries and also provide finance tools, including risk insurance, that are not yet available in local markets in developing countries.

18. While certain views stressed the exploitative nature of FDI and its lack of impact on the local economy, it was also pointed out that FDI flows tend to be beneficial. In the latter case, FDI and economic growth can be mutually reinforcing. There is a need to reconcile these divergent views.

19. Developing countries must distinguish between different types of investments in international agreements. In particular, there is a need to ensure corporate social responsibility on the part of foreign investors. The Global Compact provides useful guidance in this regard. However, an assessment of the impact of patent protection in the developed world on technology transfer through FDI is warranted.

20. There is a need to reassess the measurement of FDI. There have been claims that FDI stocks, flows and profits are inaccurately measured and that ‘round tripping’ also distorts the actual levels of net direct investment from abroad.

21. South-South investment flows are becoming increasingly significant. They should be promoted as investors from the south possess certain advantages – use of similar technology and accounting systems, language and cultural affinity - when operating in other developing countries.

22. There may be a need for a multilateral regulatory framework for FDI. This needs to be looked at carefully given the fact that countries may need to discriminate in their treatment of different forms of FDI.

Investment in human capital, innovation and technological development.

23. There is a need for developing countries to promote innovation and technological development in order to accelerate growth. Public Private Partnerships, at all levels, can be a facilitating mechanism in this respect. The example of Chile was cited where PPPs have been successfully employed with a view to increasing the competitiveness of human

resources and productive sectors and services, by promoting and developing high impact innovations, technology transfer and management for the country. Still there is a concern with risk sharing under PPPs; the test will come in the event of an economic shock.

24. Expatriates can play a crucial role in the acceleration of technological change, business creation and investment capital in their countries of origin. They can assume the role of pioneer investors and impart market connections, technology transfer and training to their countries of origin. Their role in this regard has been illustrated in countries such as India, Ireland, Israel, China and others.

25. Developing countries also need to focus on strengthening human capital and should in particular endeavor to upgrade their stock of qualified human resources. This should be complementary to efforts to promote innovation and technological development and can be facilitated through investment in education as well as Public Private Partnerships and regional talent networks that promote knowledge exchange.

26. Countries and donors should support strategies to strengthen entrepreneurship. The highly-skilled diasporas have played an important role in this area in some countries and there is scope for learning from their experiences and scaling up their contributions in this respect. Governments could explore ways to encourage the entrepreneurial activities of diasporas in their countries of origin.

27. Measures should be undertaken to support small and medium enterprises, which are an important generator of employment creation in many countries. In this regard, where they are viable and have a beneficial impact, the backward linkages between larger enterprises and their smaller counterparts should be encouraged and supported.

III. Policy deliberations

Review of commitments and enhancing policies to mobilize international private resource flows for development.

28. Many representatives stated that the challenge was to stimulate foreign private flows which would lead to development. This also included facilitating private capital flows to a wider group of countries and maximizing their development impact. More needed to be done to create a supportive and enabling international environment for broad-based development.

29. A number of participants stressed that there need to be more initiatives by developed countries to provide incentives to their investors to invest in developing countries. At the same time, there was a need for a common understanding on what constitutes an enabling investment climate. In this respect, it was important that policy reforms relating to the investment climate are increasingly determined by developing countries, and this appeared to be happening in some instances.

30. Various representatives said that a number of LDCs have also undertaken measures to improve their business environment. Best practices need to be disseminated in this area. Of particular relevance are transparent, non-discriminatory and predictable conditions for investment, including an effective legal and regulatory framework.

31. Several delegates pointed out that, to reduce the possibility of financial crises, developing countries must have an effective system for monitoring and managing public and private sector external debt. It was also important to increase the transparency of private capital flows and to implement counter-cyclical policies that reduce the vulnerability of recipient countries to market volatility. It was also stated that short-term private capital flows are prone to instability and there might be a need for controlling such flows. It was also pointed out that credit rating agencies should rate sovereign risk according to objective and transparent criteria. It was stated that the agencies' activities should be under the auspices of international intergovernmental organizations.

32. Many delegates expressed the view that remittances have an important role in contributing to development and poverty reduction. Key issues relating to remittances included improving the quality and coverage of data on remittances, reducing the costs of remittances flows and enhancing their development impact. Overall, the legal, institutional and regulatory environments for remittances needed further improvement and one of the important issues in this regard was to strengthen the quality of local financial institutions.

33. Numerous representatives stated that it was important for policymakers at both the national and international level to strengthen oversight of financial market activities. International oversight institutions should adopt measures and strengthen existing mechanisms to prevent illicit transfers – such as tax fraud, money laundering, illegal capital flows, the abuse of transfer pricing by transnational corporations, corruption and financing terrorism. In this direction, it was suggested that countries should implement the recommendation of the OECD Financial Action Task Force.

34. Many participants emphasized the need to enhance national and international efforts to strengthen micro credit and micro-finance. Some stressed the importance of strengthening the grant element of the support provided by International Financial Institutions to development programs. The need to develop responsible and sustainable forms of tourism was also emphasized as well as the need to explore innovative initiatives to mobilize international private resources for SIDSs.

Foreign direct investment: policies to improve its development impact.

35. Many representatives underlined that the challenge was to channel greater levels of FDI to developing countries while ensuring that these investments are translated into sustainable development gains. In this respect, attention should be paid to the quality, as well as the quantity, of FDI. There was a crucial need to create an enabling domestic and

international environment to facilitate sustainable international flows of direct investment.

36. According to some speakers, attracting FDI was determined by a wide range of factors. A healthy domestic private sector is an important precondition for attracting FDI, as well as adequate infrastructure, qualified human resources and large and expanding markets. It was stated that, in many cases, lower income countries that lack large endowments of natural resources have little to offer foreign investors. For these countries, FDI can not be expected to be a prime source of development finance in the immediate period, and official resources are necessary.

37. Several participants pointed out that the measures to promote investment should not take the form of outright liberalism. Indeed, the government should play an important role in facilitating flows of FDI to selected industries and the efficient utilization of external resources required a government development strategy. The sovereignty of national policies should be guaranteed.

38. It was noted that competition for FDI had resulted in significant incentives provided by developing country governments to investors as well as through bilateral and multilateral agreements. Recent years have seen a proliferation of international investment agreements at the bilateral, regional and interregional levels. Under TRIMs and TRIPs, developing countries had been constrained in the use of performance measures which would assist in encouraging investors to contribute to developmental goals. Hence, the proper balance had to be struck between the benefits from entering into international investment agreements and the need to secure sufficient policy space.

39. Various representatives stressed the importance that domestic policies facilitate technology transfers and local productive linkages of FDI. A key factor to achieve this was an adequate business environment for small and medium-size enterprises.

40. Some participants noted that multilateral investment agreements could be less effective than bilateral investment treaties. At the same time, bilateral investment treaties should ideally be negotiated on an equal footing. Development partners should assist developing countries, and especially LDCs, in their investment negotiations so that their legitimate interests are protected.

41. It was suggested that development partners and the donor community can play a role in encouraging FDI driven by fiscal incentives from home countries. This might serve to reduce the tax concessions demanded by foreign investors from developing countries. At the same time, private companies should be encouraged not to demand deep and long lasting tax concessions when investing in developing countries.

42. A number of speakers stated that the bulk of FDI into LDCs flowed into natural resource extraction and could have a limited role as a driving engine for sustainable development. It was argued that FDI into the extractive industries can have limited impact on employment creation and the repatriation of profits by investors diluted the

benefits of their activities. Given this, it was important that recipient countries discouraged the over-exploitation of natural resources, ensured that labor standards were upheld and strengthened transparency and accountability relating to the use of revenues, taking into account the standards set in the Extractive Industries Transparency Initiative.

43. It was pointed out that FDI through mergers and acquisitions does not necessarily increase the productive capital stock. Yet, it was noted that a large proportion of FDI to developing countries since 2002 represented longer-term investment and, moreover, had gone into green-field investment, expanding the productive capacity in the economy.

44. Many representatives underscored the fact that South-South FDI had been growing significantly and could impart a positive impact on development. Developing host countries needed to consider how to fully leverage the expansion of FDI from developing and transition economies.

45. The importance of promoting internationally agreed corporate social responsibility standards, which respect the environment and workers' rights, was emphasized by a large number of speakers. Transnational corporations should undertake necessary measures to increase the development impact of their investment, especially in LDCs, and should be encouraged to contribute to the sustainable development of local communities. It was pointed out that more emphasis should be given to promoting investments in the social sectors, with a view to addressing asymmetries in resource distribution, furthering social insurance and benefiting women and poor sections of society. The work undertaken within the UN system to develop guidelines for corporate social responsibility was welcomed.

46. Several speakers noted that an efficient physical infrastructure – including transport, electricity supply and communications - is a prerequisite for creating an environment capable of attracting investment and fostering development. Public investments in basic infrastructure are important for attracting FDI and facilitating local private investment. IFIs can also play an important role in facilitating private investment into infrastructure, especially in LDCs, through mitigating the risks investors face. FDI into critical infrastructure sectors could be pursued as a joint partnership between public and private sectors. To be successful, such partnerships should be clearly defined and structured.

47. Various participants pointed out that, while there has been some reduction recently in the degree of concentration of FDI, its expansion in recent years has been uneven. Despite significant improvements in their investment climates, many LDCs receive inadequate levels of inflows and remain marginalized within global production frameworks. It was important to strengthen and explore new bilateral and multilateral risk mitigation to facilitate greater flows of FDI to LDCs.

48. A number of participants indicated that, while developing countries continue to undertake and intensify efforts to put in place improved policy frameworks for FDI, the leading reformers have not always been the leading recipients of international direct

investment. Given this, domestic reforms had to be complemented by international measures, including by global and regional development organizations, in order to encourage the diversification and transparency of sustainable long-term private capital flows.

49. Some participants noted that the creation of larger markets through regional integration among developing countries could improve the ability of developing countries, especially smaller nations, to attract FDI. It was felt that this issue, namely the creation of larger economic space through regional integration, was not sufficiently addressed in Monterrey.

50. Many representatives emphasized that technical assistance in promoting FDI and building an enabling domestic environment is an important complement to domestic efforts. Indeed, it is important for countries to recognize the synergies that can exist between ODA and FDI and harness them for attracting more FDI and ensuring its development benefits.

PERMANENT MISSION OF NORWAY
TO THE UNITED NATIONS

Permanent Mission of the Arab Republic
of Egypt to the United Nations

25 January 2008

Excellency,

Further to the letter of 10 January 2008 from the President of the General Assembly addressed to all Permanent Representatives and Observers to the United Nations regarding the programme of work for the preparation of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, to be held in Doha, Qatar from 29 November to 2 December 2008, and pursuant to General Assembly resolution 62/187, the President's letter encloses a timetable of six review sessions on the thematic chapters of the Monterrey Consensus and invites all Member States and relevant stakeholders to actively contribute to each of the review sessions that will form an integral part of the substantive preparations leading up to the Review Conference.

In order to ensure productive interactive dialogues on all relevant issues, the first two review sessions scheduled on 14 and 15 February 2008 will each include an initial panel discussion in the morning organized in cooperation with the Financing for Development Office, comprising four panelists from developed and developing countries and relevant stakeholders, with a view to introduce the topics under discussion and assess progress made, share best practices and lessons learned and identify obstacles and constraints encountered.

The morning session will be followed by a debate in the afternoon among Member States, with the participation of relevant accredited stakeholders involved in the Financing for Development process, whereby interventions by participants should focus on proposed actions and initiatives for further implementation of the Monterrey Consensus, as well as on new challenges and emerging issues.

To provide for a free-flowing, interactive discussion, no list of speakers will be established in advance of the review sessions. The Co-Chairs will call upon participants as they signify their desire to speak. In view of time constraints, the panelists will speak for a duration of 15 minutes each, and interventions should not exceed 5 minutes each. Background information, written statements, position papers and other inputs are welcome and can be made available at the meetings. The President of the General Assembly will issue summaries of the review sessions.

Composition of the panels and further details of the review sessions will be updated regularly on the website of the Financing for Development Office at www.un.org/esa/ffd.

Please accept, Excellency, the assurances of our highest consideration.

Ambassador	Ambassador
Johan L. Løvald	Maged A. Abdelaziz
Permanent Representative	Permanent Representative
of Norway	of Egypt

To: All Permanent Representatives and
Permanent Observers to the United Nations
New York

THE PRESIDENT
OF THE
GENERAL ASSEMBLY

10 January 2008

Excellency,

I would like to take this opportunity to emphasize the importance of a successful outcome to the Review of the Implementation of the Monterrey Consensus in Doha, Qatar from 29 November to 2 December 2008. The full implementation of the Monterrey Consensus is crucial to the future of the United Nations development agenda.

In accordance with paragraphs 8 and 9 of resolution 62/187 of December 19, 2007, please find attached (Annex A) the proposed work programme for the preparatory process for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus. To avoid overlaps the timetable takes into account other significant UN meetings on economic and social issues during 2008. The work program includes six review sessions on the thematic chapters of the Monterrey Consensus and interactive hearings with representatives of civil society and the business sector. The review sessions are a joint endeavour among all stakeholders and will form an integral part of the substantive preparations leading up to the Review Conference. It is up to all of us to make them a success.

The engagement of all partners is critical on the 'road to Doha'. I would therefore encourage all Member States, and relevant stakeholders, to actively contribute to each of the review sessions to ensure substantive interactive dialogues on all relevant issues. The review session should focus on progress made and obstacles encountered to implement the Monterrey, as well as new challenges and emerging issues.

A panel format organised by the Financing for Development Office would be a helpful way of introducing the topics to be discussed at each review session. In this regard, I would welcome suggestions and nominations from Member States for moderators and panellists for each session. Furthermore, the review sessions would benefit, where appropriate, from the participation of relevant experts from capitals to enrich the discussion on some of the more technical issues.

All Permanent Representatives and
Permanent Observers to the United Nations
New York

Finally, and to further facilitate the process leading up to Doha, I would also encourage Member States to give due consideration to making additional contributions to the Financing for Development Trust Fund.

Please accept, Excellency, the assurances of my highest consideration.

Srgjan Kerim

Annex A

Preliminary Financing for Development Work Programme for 2008

February:	**14th: Review Session on Chapter I of the Monterrey Consensus, "Mobilizing domestic financial resources for development"**
	15th: Review Session on Chapter II, "Mobilizing international resources for development: foreign direct investment and other private flows"
March:	**10th and morning session of 11th: Review session on Chapter V, "External Debt"**
	11th afternoon session and 12th: Review Session on Chapter VI, "Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial, and trading systems in support of development"
April:	**15th-16th: Review session on Chapter IV, "Increasing international financial and technical cooperation for development"**
May:	**19th-20th: Review session on Chapter III, "International trade as an engine for development"**
June	**18: FfD Hearings with Civil Society and Business Sector**
July:	**Second week: Secretary-General's FfD report (advance English version) is issued**
	Last week: draft outcome document circulated by President of the General Assembly
September:	**8th: discussions begin on draft outcome document until end of 62nd session of General Assembly**
October:	**Discussions continue on draft outcome document after conclusion of General Debate**
Nov.-Dec.:	**Conclusion of discussions on outcome document**
	29/11-2/12: DOHA REVIEW CONFERENCE

* Regional Economic Commissions in coordination with the Financing for Development Office will also organize five regional consultations during the first half of the year.

United Nations Nations Unies

THE PRESIDENT OF THE GENERAL ASSEMBLY

LE PRESIDENT DE L'ASSEMBLEE GENERALE

20 September 2007

Statement of H.E. Mr. Srgjan Kerim, President of the 62nd Session of the General Assembly, at the Informal Briefing on Financing for Development

Excellencies,
Distinguished Friends,

The review of the implementation of the Monterrey Consensus on Financing for Development is critical. It is the principle multilateral basis establishing a global partnership to achieve the MDGs.

That is why I choose this subject as the first informal consultation of my Presidency.

It is vital to the credibility of all member states, and this organization, that the commitments made at Monterrey are fulfilled on time. Each of us here today has a responsibility for delivering their part of the compact.

As you are aware, the Secretary-General recently released his report on the Follow-up to and Implementation of the outcome of the International Conference on Financing for Development (A/62/217).

The report notes that there has been progress on many fronts;

- in macroeconomic management and fiscal discipline;
- in foreign direct investment;
- increases in domestic taxation, resource mobilization and spending on social services; and,
- trend increases in overseas development assistance.

However, the report also notes that even while there have been there overall improvements in the key components of financing for development, extreme poverty is still on the rise, and social inequalities are widening.
We cannot go on with 'business as usual'.

We have already passed the mid-point to achieve the Millennium Development Goals. Time is not on our side. Many of the Goals will not be achieved. In Africa, we face a special challenge, as we may not achieve any.

Excellencies,

As you are aware, I have reappointed the distinguished "facilitators" of the 61st session to continue during the 62nd - H.E. Ambassador Abdelaziz, the Permanent Representative of Egypt, and H.E. Ambassador Lovald, the Permanent Representative of Norway. May I congratulate them both for their hard work and dedication so far.
Through their consultations with you, the facilitators have see the process unfolding in three stages:

- During the first stage, from now through to the High Level Dialogue High Level Dialogue on 23rd and 24th October, we should begin discussions on substantive issues. In preparation for this event, I would like to call on the Chairs of the Regional Groups to work with me and the Financing for Development Office to ensure balanced Ministerial participation on the Round Tables;
- During the second stage, from the High Level Dialogue until the end of the year, the remaining "procedural" matters related to the Doha conference should be resolved (and, on which I would not want to devote too much time today); and,
- the final stretch, from the beginning of the New Year, when we will begin to define the outcome of the Doha conference at the end of 2008.

Excellencies,

The ultimate test of achieving our shared development goals is about delivering on our commitments.
But it is also about how we manage the policy challenges of the future, including, sustainable development, urbanization, water scarcity, and adapting to climate change.

I would like to take this opportunity for the experts to brief you on the Secretary-General's report, since there will not be an opportunity to do so during the High Level Dialogue in October.

I am very pleased that, Under-Secretary-General for Economic and Social Affairs, Mr. Sha Zukang, is here today to share his initial thoughts on the report and the role of his department.

In addition, Assistant Secretary-General for Economic Development, Sundaram Jomo, will make a presentation on the report. Mr Jomo was personally involved in the preparation of the report and will be happy to answer any questions that delegations may have.

So without further ado, I give the floor to Mr. Sha.

I would be grateful if you could respond, focusing as much as possible on substantive issues, the challenges and obstacles ahead.

Thank you very much.

22 October 2007

Statement of H.E. Mr. Srgjan Kerim, President of the 62nd Session of the General Assembly, at the Informal Interactive Hearings with Representatives of Civil Society on Financing for Development

Excellencies,
Distinguished delegates,
Ladies and gentlemen,

It is my great pleasure to welcome all of you to these Informal Interactive Hearings of Civil Society on Financing for Development. This event provides a remarkable opportunity for Member States to listen to the views and concerns of civil society and engage in a meaningful dialogue on key issues related to Financing for Development.

There are many non-governmental organizations from both the North and the South that have been instrumental to the Financing for Development process. Since Monterrey, we have all come to realize that a global partnership for development cannot be achieved without the full and constructive engagement of all relevant stakeholders, including national governments, international institutions, civil society and the business sector.

The Monterrey Consensus called for the continued involvement of all relevant stakeholders in the follow-up process. In response to the relevant mandates of the General Assembly, civil society organizations have been closely engaged in various multi-stakeholder activities organized by the Financing for Development Office.

Today's Hearings take place on the eve of the third High-level Dialogue on Financing for Development, which will be convened by the General Assembly over the next two days.

The Dialogue will consist of a series of plenary and informal meetings on the overall theme "The Monterrey Consensus: status of implementation and tasks ahead". It will also include six multi-stakeholder round tables on the major thematic areas of the Monterrey Consensus.

In the 'spirit of Monterrey', I would encourage you to engage in a frank and inclusive exchange of views with all stakeholders.

Both these Hearings and the forthcoming Dialogue come at a crucial juncture. As you all know, the General Assembly decided to hold a Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, Qatar, in the second half of 2008.

The purpose of the Conference is to assess progress made so far, reaffirm goals and commitments made and share lessons learned. It should also identify obstacles and constraints encountered; and identify actions and initiatives to overcome them, as well as new challenges and emerging issues.

In order to realize this ambitious agenda, it is imperative that the views of civil society be fully understood and duly taken into account. I sincerely hope that today's presentations and discussions will provide useful inputs to the upcoming High-level Dialogue.

Along with the MDG framework, the Monterrey Consensus has helped strengthen the sense of shared purpose, harness and combine the energies of the UN, other institutions, faith groups, NGOs, civil society and the private sector.

I hope that this constructive interaction will continue in the preparatory process leading up to the Doha Review Conference.

Let me now pass the floor to the Moderator of this meeting, Mr. Oscar de Rojas, Director of the Financing for Development Office, to introduce our distinguished panelists and continue with our proceedings.

Mr. de Rojas, you have the floor.

23 October 2007

Statement of H.E. Mr. Srgjan Kerim, President of the 62nd Session of the General Assembly, at the Opening of the High-Level Dialogue on Financing for Development

Secretary-General,
Excellencies,
Ladies and gentlemen,

I would like to sincerely welcome you all to the High–level Dialogue on Financing for Development.

The Dialogue will begin the intergovernmental follow-up to review the implementation of the 2002 Monterrey Conference and assess the challenges ahead. Over the next couple of days we shall hold a series of plenary meetings and six multi-stakeholder roundtables on the major thematic areas of the Monterrey Consensus.

I would encourage you all to engage in a frank, inclusive and open exchange of views with all stakeholders. By doing so, we can make a substantive contribution to the preparation of the Follow-up Conference in Doha.

In this regard, I would like to commend the important contributions made yesterday by civil society and NGOs, in particular on innovative sources of development finance and trade.

The overall message from the Hearings was clear. We have reached a critical juncture in the Financing for development agenda. Despite the promises made, progress has been slower than expected. While there have been some successes, many of the development finance objectives set in 2002 have not yet been met.

Excellencies,

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

The Consensus embodies the mutual responsibilities of developed and developing countries. I would like to briefly outline progress achieved in each of the six areas:

(1) Domestic resource mobilization. Macroeconomic and fiscal management has improved in most developing countries, creating higher savings and investment. However, despite increased social expenditures, poverty is still on the rise, especially in Africa.

(2) Private capital flows. A dozen fast-growing, resource-rich countries account for some 70 per cent of the increases of private capital flows to developing countries. More needs to be done to encourage investment in low-income countries.

(3) International trade. Major challenges remain in realizing the Doha round of multilateral trade negotiations. While international trade has increased, new forms of protectionism have arisen. All countries involved in the Doha Trade Round should aim to forge a open, non-discriminatory and equitable multilateral trading system.

(4) Official aid. We should congratulate around two thirds of donor countries who met 2006 targets to increase official development assistance (ODA) that they set in Monterrey. However, in 2006, development aid from OECD countries fell by 5 per cent. Aid to sub-Saharan Africa, excluding debt relief, remained static. On current trends ODA for the period 2006-2010 will fall short of targets. Improving aid effectiveness and exploring innovative sources of development finance remain priorities.

(5) External debt. The Multilateral Debt Relief Initiative has freed up essential resources for investment in public services. However, putting all low-income countries on the path to debt sustainability and poverty reduction remains a major challenge.

(6) Systemic issues. Finally, global governance and the international financial architecture need to be more responsive to the profound changes in the global economy, in particular, on global imbalances and market transparency. Increasing the voice and participation of developing countries remains a priority, on which the legitimacy and credibility of some institutions now depends.

Excellencies,
Since its adoption in 2002, the Monterey Consensus has remained at the heart of the United Nations development debate. In 2005, it was reaffirmed by leaders at the World Summit.
That same year at Gleneagles, G8 leaders agreed to make progress on trade, provide $50 billion extra in aid, with $25 billion to Africa, by 2010. They set new targets for access for all to Aids treatment, free basic education and health care.
Again in Heiligendamm in 2007, G8 leaders recommitted to increase development assistance and announced an additional US$60 billion to fight Aids, Malaria and Tuberculosis.
If implemented, existing commitments to finance development are enough to achieve the MDGs, even in Africa. But each side of the partnership must deliver. This is the spirit of the Monterrey Consensus.
As developing countries adopt comprehensive national strategies then donors must deliver on commitments to provide additional assistance to enable them to succeed.

Unchecked, bad governance and corruption will undermine efforts to provide long term, predictable finance. However, lack of progress should not be an excuse for additional conditionality or delaying increases in ODA.
Developing countries need to develop credible long term investment plans, strengthen good governance and continue to fight corruption to encourage sustainable economic growth and an attractive environment for business.
To maintain the credibility of their commitments donors should accelerate their plans to scale up assistance; issue country-by country timelines for how they are going to increase aid, so partner governments can prepare supporting macroeconomic frameworks.
Time is running out to make the needed practical investments. The focus must now be squarely on implementation. Promises must be urgently translated into practical plans with systematic follow-through by all parties.
Developing countries need to know when additional new resources will arrive so that they can begin to plan.

Excellencies,

The adoption of this historic Consensus on Financing for Development laid the foundation for a global partnership for the international community to achieve the Millennium Development Goals.

It is in this context that the Review of the Implementation of the Monterrey Consensus in Doha next year will take place. Success in Doha will very much depend on the consensus we reach during the consultation process in the 62nd session of the General Assembly.

We can lay the political ground over the next couple of days. We need to judge progress made so far and assess future challenges, including supporting developing countries to adapt to and mitigate the affects of climate change.

We may face huge challenges, but we should take hope from the progress that has being made.
In the past 40 years, life expectancy in the developing world increased by a quarter. In the past 30 years, illiteracy has fallen by half. In the past 20 years, 400 million people were lifted out of absolute poverty. Smallpox has been eradicated, and soon maybe polio too.
The debt of over 20 countries has been fully cancelled, over $81 billion, helping some to provide free health care and to build new classrooms.
The US$ 4 billion International Finance Facility for Immunization has been established to help save the lives of an additional 5 million children over the next decade.
At the fist thematic debate of the General Assembly in November 2006, the Islamic Development Bank announced US$10 billion of new finance for the MDGs.
In 2007, the UAE announced a US$10 billion fund to improve access and the quality of education in the Muslim world.
And recently, an International Health Partnership between donors, developing countries and UN organizations has been established.

Some Africa countries are demonstrating progress towards the MDGs is possible when strong government leadership and good policies are combined with adequate financial and technical support from the international community.
Excellencies,

Progress is possible. Above all we must demonstrate the political will. Millions of lives quite literally hang in the balance.

Along with the MDG framework, the Monterrey Consensus has helped strengthened our shared sense of purpose, harness and combine the energies of the UN, other institutions, faith groups, NGOs, civil society and the private sector.

If this - the greatest anti-poverty partnership in history - is insufficient to break from 'business as usual' many developing countries' and campaigners around the world will be left without hope. Global trust will be irredeemably undermined.

To avoid this, establish greater trust and renew confidence in the multilateral system it is critical that we all live up to our promises and commitments.

In doing so, we need to move beyond the simplistic division of the world into North and South which reflects more the past than today's world. We live in a far more complex and integrated global age, with new emerging economic powers and donors as well as private philanthropy in all regions of the world.

It is incumbent upon leaders from all these groups and stakeholders to demonstrate leadership and concerted action. Otherwise, by 2015 there will be more people struggling in poverty. Millions of people will not realize the basic promises of the MDGs in their lives.

I wish to thank those countries who are represented at a high level in this important meeting. I had hoped that the relevant international institutions would be represented at the highest level, given the high importance attached to the issue of Financing for Development.

Thank you.

25 October 2007

**Statement of H.E. Mr. Srgjan Kerim,
President of the 62nd Session of the General Assembly,
at the Closing of the High-Level Dialogue on Financing for Development**

Excellencies,
Distinguished delegates,

I would like to express my appreciation to all delegations – more than 99 - for participating in our High-level Dialogue. Your active contributions to the plenary sessions, as well as in the round tables, have greatly contributed to the success of the meeting.

The conduct of the meeting has followed on from the success of the 62nd General Debate. I would like to state with great satisfaction that Member States have risen to the challenge to revitalize the Assembly by engaging in a true interactive dialogue, in the spirit of consensus and international cooperation.

You have put forward a wealth of ideas, new initiatives and recommendations that enriched the policy debate on which we can build towards the Financing for Development Conference in Doha.

I am encouraged by the active participation and contributions of the key institutional stakeholders, intergovernmental organizations, other international development institutions, the private sector and civil society. The engagement of all partners is also crucial in the "road to Doha".

I am confident that the spirit of discussions during our High-level Dialogue augurs well for a successful outcome in Doha.

Excellencies,

Given the time constraints and the richness of the policy discussion over the last few days, it would not be appropriate for me to attempt to summarize the various substantive issues that have been raised. I will present you with a summary within the coming weeks. Still, allow me to make some brief remarks on a few key topics to highlight the rich dialogue that has taken place.

Many representatives expressed their concern with the growing economic inequalities, not only between countries but also within countries in the context of globalization, particularly in the context of the current instability in global financial markets.

On the domestic front, according to several speakers, there is a crucial need to enhance tax revenues and create more distributive tax systems. This would not only help to reduce disparities but also increase public spending on basic infrastructure and services.

In the same vein, good domestic governance, effective and transparent regulatory mechanisms, and the rule of law, were stressed as key to the Financing for Development agenda by many participants.
For a large number of representatives, the current trends in foreign direct investment in developing countries were very encouraging. Yet, a major challenge remained: how to promote FDI in lower-income countries or those with less stable governance in order to boost productive economic activity.

Many delegations stressed the critical importance of making decisive progress in the current round of multilateral trade negotiations in order to accelerate progress on development and poverty reduction.

A substantial number of participants reiterated the need to achieve the United Nations 0.7 per cent official development assistance target and deliver on commitments to increase aid, including to Africa, to maintain the overall credibility of the Monterey Consensus and as an essential prerequisite for achieving the Millennium Development Goals. In this regard, many speakers supported further work to develop innovative sources of finance.

In the view of several participants much had been done to increase debt relief. But long-term debt sustainability continued to remain a significant policy issue for a number of developing countries, particularly the Least Developed Countries.

Many participants reiterated the need to improving the voice and effective participation of developing countries in international economic decision-making.

Finally, many delegates stressed that adapting to climate change was the emerging issue that needed to be linked to the Financing for Development process.

Excellencies,

The General Assembly will shortly begin consultations on a procedural resolution to set out the modalities for the Follow-up Conference on Financing for Development in Doha, 2008.

After informal consultations with member states and the major groups I have concluded that this process can most effectively be taken forward by the facilitators that I appointed at the beginning of the 62nd session - H.E. Ambassador Abdelaziz, Permanent Representative of Egypt, and H.E. Ambassador Lovald, Permanent Representative of Norway.

In the spirit of Monterrey, I would encourage all Member States give their full support and cooperation to the facilitators as they work to conclude agreement on the resolution, in an open, transparent and inclusive manner, and present it to the Plenary by the end of the main part of this session.

Once the modalities of the Doha Conference are agreed we can move to substantive discussions on the six chapters of the Monterrey Consensus and other important matters in the early New Year.

Thank you for you attention.

I declare the High-level Dialogue on Financing for Development closed.

International Conference on Financing for Development

Monterrey, Mexico
18-22 March 2002

Monterrey Consensus on Financing for Development

United Nations

Financing *for* Development

Monterrey Consensus of the International Conference on Financing for Development

The final text of agreements and commitments adopted at the International Conference on Financing for Development Monterrey, Mexico, 18-22 March 2002

United Nations • 2003

FOR MORE INFORMATION, PLEASE CONTACT:

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Monterrey Consensus of the International Conference on Financing for Development*

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*Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002 (A/CONF.198/11, chapter 1, resolution 1, annex)

I. Confronting the challenges of financing for development: a global response

1. We the heads of State and Government, gathered in Monterrey, Mexico, on 21 and 22 March 2002, have resolved to address the challenges of financing for development around the world, particularly in developing countries. Our goal is to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.
2. We note with concern current estimates of dramatic shortfalls in resources required to achieve the internationally agreed development goals, including those contained in the United Nations Millennium Declaration.[1]
3. Mobilizing and increasing the effective use of financial resources and achieving the national and international economic conditions needed to fulfil internationally agreed development goals, including those contained in the Millennium Declaration, to eliminate poverty, improve social conditions and raise living standards, and protect our environment, will be our first step to ensuring that the twenty-first century becomes the century of development for all.
4. Achieving the internationally agreed development goals, including those contained in the Millennium Declaration, demands a new partnership between developed and developing countries. We commit ourselves to sound policies, good governance at all levels and the rule of law. We also commit ourselves to mobilizing domestic resources, attracting international flows, promoting international trade as an engine for development, increasing international financial and technical cooperation for development, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems.
5. The terrorist attacks on 11 September 2001 exacerbated the global economic slowdown, further reducing growth rates. It has now become all the more urgent to enhance collaboration among all stakeholders to promote sustained economic growth and to address the long-term challenges of financing for development. Our resolve to act together is stronger than ever.
6. Each country has primary responsibility for its own economic and social development, and the role of national policies and development strategies cannot be overemphasized. At the same time, domestic economies

[1] General Assembly resolution 55/2.

are now interwoven with the global economic system and, inter alia, the effective use of trade and investment opportunities can help countries to fight poverty. National development efforts need to be supported by an enabling international economic environment. We encourage and support development frameworks initiated at the regional level, such as the New Partnership for Africa's Development and similar efforts in other regions.

7. Globalization offers opportunities and challenges. The developing countries and countries with economies in transition face special difficulties in responding to those challenges and opportunities. Globalization should be fully inclusive and equitable, and there is a strong need for policies and measures at the national and international levels, formulated and implemented with the full and effective participation of developing countries and countries with economies in transition to help them respond effectively to those challenges and opportunities.

8. In the increasingly globalizing interdependent world economy, a holistic approach to the interconnected national, international and systemic challenges of financing for development - sustainable, gender-sensitive, people-centred development - in all parts of the globe is essential. Such an approach must open up opportunities for all and help to ensure that resources are created and used effectively and that strong, accountable institutions are established at all levels. To that end, collective and coherent action is needed in each interrelated area of our agenda, involving all stakeholders in active partnership.

9. Recognizing that peace and development are mutually reinforcing, we are determined to pursue our shared vision for a better future, through our individual efforts combined with vigorous multilateral action. Upholding the Charter of the United Nations and building upon the values of the Millennium Declaration, we commit ourselves to promoting national and global economic systems based on the principles of justice, equity, democracy, participation, transparency, accountability and inclusion.

II. Leading actions

A. Mobilizing domestic financial resources for development

10. In our common pursuit of growth, poverty eradication and sustainable development, a critical challenge is to ensure the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment and increasing human capacity. A crucial task is to enhance the efficacy, coherence and consis-

tency of macroeconomic policies. An enabling domestic environment is vital for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance. Efforts to create such an environment should be supported by the international community.

11. Good governance is essential for sustainable development. Sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation. Freedom, peace and security, domestic stability, respect for human rights, including the right to development, and the rule of law, gender equality, market-oriented policies, and an overall commitment to just and democratic societies are also essential and mutually reinforcing.

12. We will pursue appropriate policy and regulatory frameworks at our respective national levels and in a manner consistent with national laws to encourage public and private initiatives, including at the local level, and foster a dynamic and well functioning business sector, while improving income growth and distribution, raising productivity, empowering women and protecting labour rights and the environment. We recognize that the appropriate role of government in market-oriented economies will vary from country to country.

13. Fighting corruption at all levels is a priority. Corruption is a serious barrier to effective resource mobilization and allocation, and diverts resources away from activities that are vital for poverty eradication and economic and sustainable development.

14. We recognize the need to pursue sound macroeconomic policies aimed at sustaining high rates of economic growth, full employment, poverty eradication, price stability and sustainable fiscal and external balances to ensure that the benefits of growth reach all people, especially the poor. Governments should attach priority to avoiding inflationary distortions and abrupt economic fluctuations that negatively affect income distribution and resource allocation. Along with prudent fiscal and monetary policies, an appropriate exchange rate regime is required.

15. An effective, efficient, transparent and accountable system for mobilizing public resources and managing their use by Governments is essential. We recognize the need to secure fiscal sustainability, along with equitable and efficient tax systems and administration, as well as improvements in public spending that do not crowd out productive private investment. We also recognize the contribution that medium-term fiscal frameworks can make in that respect.

16. Investments in basic economic and social infrastructure, social services and social protection, including education, health, nutrition, shelter and

social security programmes, which take special care of children and older persons and are gender sensitive and fully inclusive of the rural sector and all disadvantaged communities, are vital for enabling people, especially people living in poverty, to better adapt to and benefit from changing economic conditions and opportunities. Active labour market policies, including worker training, can help to increase employment and improve working conditions. The coverage and scope of social protection needs to be further strengthened. Economic crises also underscore the importance of effective social safety nets.

17. We recognize the need to strengthen and develop the domestic financial sector, by encouraging the orderly development of capital markets through sound banking systems and other institutional arrangements aimed at addressing development financing needs, including the insurance sector and debt and equity markets, that encourage and channel savings and foster productive investments. That requires a sound system of financial intermediation, transparent regulatory frameworks and effective supervisory mechanisms, supported by a solid central bank. Guarantee schemes and business development services should be developed for easing the access of small and medium-sized enterprises to local financing.

18. Microfinance and credit for micro-, small and medium-sized enterprises, including in rural areas, particularly for women, as well as national savings schemes, are important for enhancing the social and economic impact of the financial sector. Development banks, commercial and other financial institutions, whether independently or in cooperation, can be effective instruments for facilitating access to finance, including equity financing, for such enterprises, as well as an adequate supply of medium- and long-term credit. In addition, the promotion of private-sector financial innovations and public-private partnerships can also deepen domestic financial markets and further develop the domestic financial sector. The prime objective of pension schemes is social protection, but when those schemes are funded they can also be a source of savings. Bearing in mind economic and social considerations, efforts should be made to incorporate the informal sector into the formal economy, wherever feasible. It is also important to reduce the transfer costs of migrant workers' remittances and create opportunities for development-oriented investments, including housing.

19. It is critical to reinforce national efforts in capacity-building in developing countries and countries with economies in transition in such areas as institutional infrastructure, human resource development, public finance, mortgage finance, financial regulation and supervision, basic education in particular, public administration, social and gender budget policies, early warning and crisis prevention, and debt management. In that regard, par-

ticular attention is required to address the special needs of Africa, the least developed countries, small island developing States and landlocked developing countries. We reaffirm our commitment to the Programme of Action for the Least Developed Countries for the Decade 2001-2010,[2] adopted by the Third United Nations Conference on the Least Developed Countries, held in Brussels from 14 to 20 May 2001, and the Global Programme of Action for the Sustainable Development of Small Island Developing States.[3] International support for those efforts, including technical assistance and through United Nations operational activities for development, is indispensable. We encourage South-South cooperation, including through triangular cooperation, to facilitate exchange of views on successful strategies, practices and experience and replication of projects.

B. Mobilizing international resources for development: foreign direct investment and other private flows

20. Private international capital flows, particularly foreign direct investment, along with international financial stability, are vital complements to national and international development efforts. Foreign direct investment contributes toward financing sustained economic growth over the long term. It is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and ultimately eradicate poverty through economic growth and development. A central challenge, therefore, is to create the necessary domestic and international conditions to facilitate direct investment flows, conducive to achieving national development priorities, to developing countries, particularly Africa, least developed countries, small island developing States, and landlocked developing countries, and also to countries with economies in transition.

21. To attract and enhance inflows of productive capital, countries need to continue their efforts to achieve a transparent, stable and predictable investment climate, with proper contract enforcement and respect for property rights, embedded in sound macroeconomic policies and institutions that allow businesses, both domestic and international, to operate efficiently and profitably and with maximum development impact. Special efforts are required in such priority areas as economic policy and regula-

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[2] A/CONF.191/11.

[3] *Report of the Global Conference on the Sustainable Development of Small Island Developing States, Bridgetown, Barbados, 25 April-6 May 1994* (United Nations publication, Sales No. E.94.I.18 and corrigenda), chap. I, resolution 1, annex II.

tory frameworks for promoting and protecting investments, including the areas of human resource development, avoidance of double taxation, corporate governance, accounting standards, and the promotion of a competitive environment. Other mechanisms, such as public/private partnerships and investment agreements, can be important. We emphasize the need for strengthened, adequately resourced technical assistance and productive capacity-building programmes, as requested by recipients.

22. To complement national efforts, there is the need for the relevant international and regional institutions as well as appropriate institutions in source countries to increase their support for private foreign investment in infrastructure development and other priority areas, including projects to bridge the digital divide, in developing countries and countries with economies in transition. To this end, it is important to provide export credits, co-financing, venture capital and other lending instruments, risk guarantees, leveraging aid resources, information on investment opportunities, business development services, forums to facilitate business contacts and cooperation between enterprises of developed and developing countries, as well as funding for feasibility studies. Inter-enterprise partnership is a powerful means for transfer and dissemination of technology. In this regard, strengthening of the multilateral and regional financial and development institutions is desirable. Additional source country measures should also be devised to encourage and facilitate investment flows to developing countries.

23. While Governments provide the framework for their operation, businesses, for their part, are expected to engage as reliable and consistent partners in the development process. We urge businesses to take into account not only the economic and financial but also the developmental, social, gender and environmental implications of their undertakings. In that spirit, we invite banks and other financial institutions, in developing countries as well as developed countries, to foster innovative developmental financing approaches. We welcome all efforts to encourage good corporate citizenship and note the initiative undertaken in the United Nations to promote global partnerships.

24. We will support new public/private sector financing mechanisms, both debt and equity, for developing countries and countries with economies in transition, to benefit in particular small entrepreneurs and small and medium-size enterprises and infrastructure. Those public/private initiatives could include the development of consultation mechanisms between international and regional financial organizations and national Governments with the private sector in both source and recipient countries as a means of creating business-enabling environments.

25. We underscore the need to sustain sufficient and stable private financial flows to developing countries and countries with economies in transition. It is important to promote measures in source and destination countries

to improve transparency and the information about financial flows. Measures that mitigate the impact of excessive volatility of short-term capital flows are important and must be considered. Given each country's varying degree of national capacity, managing national external debt profiles, paying careful attention to currency and liquidity risk, strengthening prudential regulations and supervision of all financial institutions, including highly leveraged institutions, liberalizing capital flows in an orderly and well sequenced process consistent with development objectives, and implementation, on a progressive and voluntary basis, of codes and standards agreed internationally, are also important. We encourage public/private initiatives that enhance the ease of access, accuracy, timeliness and coverage of information on countries and financial markets, which strengthen capacities for risk assessment. Multilateral financial institutions could provide further assistance for all those purposes.

C. International trade as an engine for development

26. A universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can substantially stimulate development worldwide, benefiting countries at all stages of development. In that regard, we reaffirm our commitment to trade liberalization and to ensure that trade plays its full part in promoting economic growth, employment and development for all. We thus welcome the decisions of the World Trade Organization to place the needs and interests of developing countries at the heart of its work programme, and commit ourselves to their implementation.
27. To benefit fully from trade, which in many cases is the single most important external source of development financing, the establishment or enhancement of appropriate institutions and policies in developing countries, as well as in countries with economies in transition, is needed. Meaningful trade liberalization is an important element in the sustainable development strategy of a country. Increased trade and foreign direct investment could boost economic growth and could be a significant source of employment.
28. We acknowledge the issues of particular concern to developing countries and countries with economies in transition in international trade to enhance their capacity to finance their development, including trade barriers, trade-distorting subsidies and other trade-distorting measures, particularly in sectors of special export interest to developing countries, including agriculture; the abuse of anti-dumping measures; technical barriers and sanitary and phytosanitary measures; trade liberalization in labour intensive manufactures; trade liberalization in agricultural products; trade in services; tariff peaks, high tariffs and tariff escalation, as well as

non-tariff barriers; the movement of natural persons; the lack of recognition of intellectual property rights for the protection of traditional knowledge and folklore; the transfer of knowledge and technology; the implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights[4] in a manner supportive of public health; and the need for special and differential treatment provisions for developing countries in trade agreements to be made more precise, effective and operational.

29. To ensure that world trade supports development to the benefit of all countries, we encourage the members of the World Trade Organization to implement the outcome of its Fourth Ministerial Conference, held in Doha, Qatar from 9 to 14 November 2001.

30. We also undertake to facilitate the accession of all developing countries, particularly the least developed countries, as well as countries with economies in transition, that apply for membership in the World Trade Organization.

31. We will implement the commitments made in Doha to address the marginalization of the least developed countries in international trade as well as the work programme adopted to examine issues related to the trade of small economies.

32. We also commit ourselves to enhancing the role of regional and subregional agreements and free trade areas, consistent with the multilateral trading system, in the construction of a better world trading system. We urge international financial institutions, including the regional development banks, to continue to support projects that promote subregional and regional integration among developing countries and countries with economies in transition.

33. We recognize the importance of enhanced and predictable access to all markets for the exports of developing countries, including small island developing States, landlocked developing countries, transit developing countries and countries in Africa, as well as countries with economies in transition.

34. We call on developed countries that have not already done so to work towards the objective of duty-free and quota-free access for all least developed countries' exports, as envisaged in the Programme of Action for the Least Developed Countries adopted in Brussels. Consideration of proposals for developing countries to contribute to improved market access for least developed countries would also be helpful.

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[4] *The Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts* (Geneva, GATT secretariat, 1994), annex 1C.

35. We further recognize the importance for developing countries as well as countries with economies in transition of considering reducing trade barriers among themselves.

36. In cooperation with the interested Governments and their financial institutions and to further support national efforts to benefit from trade opportunities and effectively integrate into the multilateral trading system, we invite multilateral and bilateral financial and development institutions to expand and coordinate their efforts, with increased resources, for gradually removing supply-side constraints; improve trade infrastructure; diversify export capacity and support an increase in the technological content of exports; strengthen institutional development and enhance overall productivity and competitiveness. To that end, we further invite bilateral donors and the international and regional financial institutions, together with the relevant United Nations agencies, funds and programmes, to reinforce the support for trade-related training, capacity and institution building and trade-supporting services. Special consideration should be given to least developed countries, landlocked developing countries, small island developing States, African development, transit developing countries and countries with economies in transition, including through the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries and its follow-up, the Joint Integrated Technical Assistance Programme, the World Trade Organization Doha Development Agenda Global Trust Fund, as well as the activities of the International Trade Centre.

37. Multilateral assistance is also needed to mitigate the consequences of depressed export revenues of countries that still depend heavily on commodity exports. Thus, we recognize the recent review of the International Monetary Fund Compensatory Financing Facility and will continue to assess its effectiveness. It is also important to empower developing country commodity producers to insure themselves against risk, including against natural disasters. We further invite bilateral donors and multilateral aid agencies to strengthen their support to export diversification programmes in those countries.

38. In support of the process launched in Doha, immediate attention should go to strengthening and ensuring the meaningful and full participation of developing countries, especially the least developed countries, in multilateral trade negotiations. In particular, developing countries need assistance in order to participate effectively in the World Trade Organization work programme and negotiating process through the enhanced cooperation of all relevant stakeholders, including the United Nations Conference on Trade and Development, the World Trade Organization and the World Bank. To those ends, we underscore the importance of

effective, secure and predictable financing of trade-related technical assistance and capacity-building.

D. Increasing international financial and technical cooperation for development

39. Official development assistance (ODA) plays an essential role as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment. ODA can help a country to reach adequate levels of domestic resource mobilization over an appropriate time horizon, while human capital, productive and export capacities are enhanced. ODA can be critical for improving the environment for private sector activity and can thus pave the way for robust growth. ODA is also a crucial instrument for supporting education, health, public infrastructure development, agriculture and rural development, and to enhance food security. For many countries in Africa, least developed countries, small island developing States and landlocked developing countries, ODA is still the largest source of external financing and is critical to the achievement of the development goals and targets of the Millennium Declaration and other internationally agreed development targets.

40. Effective partnerships among donors and recipients are based on the recognition of national leadership and ownership of development plans and, within that framework, sound policies and good governance at all levels are necessary to ensure ODA effectiveness. A major priority is to build those development partnerships, particularly in support of the neediest, and to maximize the poverty reduction impact of ODA. The goals, targets and commitments of the Millennium Declaration and other internationally agreed development targets can help countries to set short- and medium-term national priorities as the foundation for building partnerships for external support. In that context, we underline the importance of the United Nations funds, programmes and specialized agencies, and we will strongly support them.

41. We recognize that a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration. To build support for ODA, we will cooperate to further improve policies and development strategies, both nationally and internationally, to enhance aid effectiveness.

42. In that context, we urge developed countries that have not done so to make concrete efforts towards the target of 0.7 per cent of gross national product (GNP) as ODA to developing countries and 0.15 to 0.20 per cent of GNP of developed countries to least developed countries, as reconfirmed at the Third United Nations Conference on Least Developed

Countries, and we encourage developing countries to build on progress achieved in ensuring that ODA is used effectively to help achieve development goals and targets. We acknowledge the efforts of all donors, commend those donors whose ODA contributions exceed, reach or are increasing towards the targets, and underline the importance of undertaking to examine the means and time frames for achieving the targets and goals.

43. Recipient and donor countries, as well as international institutions, should strive to make ODA more effective. In particular, there is a need for the multilateral and bilateral financial and development institutions to intensify efforts to:

- Harmonize their operational procedures at the highest standard so as to reduce transaction costs and make ODA disbursement and delivery more flexible, taking into account national development needs and objectives under the ownership of the recipient country;
- Support and enhance recent efforts and initiatives, such as untying aid, including the implementation of the Organisation for Economic Cooperation and Development/Development Assistance Committee recommendation on untying aid to the least developed countries, as agreed by the Organisation for Economic Cooperation and Development in May 2001. Further efforts should be made to address burdensome restrictions;
- Enhance the absorptive capacity and financial management of the recipient countries to utilize aid in order to promote the use of the most suitable aid delivery instruments that are responsive to the needs of developing countries and to the need for resource predictability, including budget support mechanisms, where appropriate, and in a fully consultative manner;
- Use development frameworks that are owned and driven by developing countries and that embody poverty reduction strategies, including poverty reduction strategy papers, as vehicles for aid delivery, upon request;
- Enhance recipient countries' input into and ownership of the design, including procurement, of technical assistance programmes; and increase the effective use of local technical assistance resources;
- Promote the use of ODA to leverage additional financing for development, such as foreign investment, trade and domestic resources;
- Strengthen triangular cooperation, including countries with economies in transition, and South-South cooperation, as delivery tools for assistance;
- Improve ODA targeting to the poor, coordination of aid and measurement of results.

We invite donors to take steps to apply the above measures in support of all developing countries, including immediately in support of the comprehensive strategy that is embodied in the New Partnership for Africa's Development and similar efforts in other regions, as well as in support of least developed countries, small island developing States and landlocked developing countries. We acknowledge and appreciate the discussions taking place in other forums on proposals to increase the concessionality of development financing, including greater use of grants.

44. We recognize the value of exploring innovative sources of finance provided that those sources do not unduly burden developing countries. In that regard, we agree to study, in the appropriate forums, the results of the analysis requested from the Secretary-General on possible innovative sources of finance, noting the proposal to use special drawing rights allocations for development purposes. We consider that any assessment of special drawing rights allocations must respect the International Monetary Fund's Articles of Agreement and the established rules of procedure of the Fund, which requires taking into account the global need for liquidity at the international level.

45. Multilateral and regional development banks continue to play a vital role in serving the development needs of developing countries and countries with economies in transition. They should contribute to providing an adequate supply of finance to countries that are challenged by poverty, follow sound economic policies and may lack adequate access to capital markets. They should also mitigate the impact of excessive volatility of financial markets. Strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, enhancing ownership and overall efficiency. They also serve as a vital source of knowledge and expertise on economic growth and development for their developing member countries.

46. We will ensure that the long-term resources at the disposal of the international financial system, including regional and subregional institutions and funds, allow them to adequately support sustained economic and social development, technical assistance for capacity-building, and social and environmental protection schemes. We will also continue to enhance their overall lending effectiveness through increased country ownership, operations that raise productivity and yield measurable results in reducing poverty, and closer coordination with donors and the private sector.

E. External debt

47. Sustainable debt financing is an important element for mobilizing resources for public and private investment. National comprehensive strategies to monitor and manage external liabilities, embedded in the domestic preconditions for debt sustainability, including sound macro-

economic policies and public resource management, are a key element in reducing national vulnerabilities. Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations. Technical assistance for external debt management and debt tracking can play an important role and should be strengthened.

48. External debt relief can play a key role in liberating resources that can then be directed towards activities consistent with attaining sustainable growth and development, and therefore, debt relief measures should, where appropriate, be pursued vigorously and expeditiously, including within the Paris and London Clubs and other relevant forums. Noting the importance of re-establishing financial viability for those developing countries facing unsustainable debt burdens, we welcome initiatives that have been undertaken to reduce outstanding indebtedness and invite further national and international measures in that regard, including, as appropriate, debt cancellation and other arrangements.

49. The enhanced Heavily Indebted Poor Countries Initiative provides an opportunity to strengthen the economic prospects and poverty reduction efforts of its beneficiary countries. Speedy, effective and full implementation of the enhanced Initiative, which should be fully financed through additional resources, is critical. Heavily indebted poor countries should take the policy measures necessary to become eligible for the Initiative. Future reviews of debt sustainability should also bear in mind the impact of debt relief on progress towards the achievement of the development goals contained in the Millennium Declaration. We stress the importance of continued flexibility with regard to the eligibility criteria. Continued efforts are needed to reduce the debt burden of heavily indebted poor countries to sustainable levels. The computational procedures and assumptions underlying debt sustainability analysis need to be kept under review. Debt sustainability analysis at the completion point needs to take into account any worsening global growth prospects and declining terms of trade. Debt relief arrangements should seek to avoid imposing any unfair burdens on other developing countries.

50. We stress the need for the International Monetary Fund and the World Bank to consider any fundamental changes in countries' debt sustainability caused by natural catastrophes, severe terms of trade shocks or conflict, when making policy recommendations, including for debt relief, as appropriate.

51. While recognizing that a flexible mix of instruments is needed to respond appropriately to countries' different economic circumstances and capacities, we emphasize the importance of putting in place a set of clear principles for the management and resolution of financial crises that provide for fair burden-sharing between public and private sectors and between debtors, creditors and investors. We encourage donor countries to take steps to ensure that resources provided for debt relief do not detract from

ODA resources intended to be available for developing countries. We also encourage exploring innovative mechanisms to comprehensively address debt problems of developing countries, including middle-income countries and countries with economies in transition.

F. Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

52. In order to complement national development efforts, we recognize the urgent need to enhance coherence, governance, and consistency of the international monetary, financial and trading systems. To contribute to that end, we underline the importance of continuing to improve global economic governance and to strengthen the United Nations leadership role in promoting development. With the same purpose, efforts should be strengthened at the national level to enhance coordination among all relevant ministries and institutions. Similarly, we should encourage policy and programme coordination of international institutions and coherence at the operational and international levels to meet the Millennium Declaration development goals of sustained economic growth, poverty eradication and sustainable development.
53. Important international efforts are under way to reform the international financial architecture. Those efforts need to be sustained with greater transparency and the effective participation of developing countries and countries with economies in transition. One major objective of the reform is to enhance financing for development and poverty eradication. We also underscore our commitment to sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development.
54. Strong coordination of macroeconomic policies among the leading industrial countries is critical to greater global stability and reduced exchange rate volatility, which are essential to economic growth as well as for enhanced and predictable financial flows to developing countries and countries with economies in transition.
55. The multilateral financial institutions, in particular the International Monetary Fund, need to continue to give high priority to the identification and prevention of potential crises and to strengthening the underpinnings of international financial stability. In that regard, we stress the need for the Fund to further strengthen its surveillance activities of all economies, with particular attention to short-term capital flows and their impact. We encourage the International Monetary Fund to facilitate the timely detection of external vulnerability through well designed surveil-

lance and early warning systems and to coordinate closely with relevant regional institutions or organizations, including the regional commissions.

56. We stress the need for multilateral financial institutions, in providing policy advice and financial support, to work on the basis of sound, nationally owned paths of reform that take into account the needs of the poor and efforts to reduce poverty, and to pay due regard to the special needs and implementing capacities of developing countries and countries with economies in transition, aiming at economic growth and sustainable development. The advice should take into account social costs of adjustment programmes, which should be designed to minimize negative impact on the vulnerable segments of society.

57. It is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes. It is also essential to ensure implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion.

58. Sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis.

59. Noting the impact of financial crisis or risk of contagion in developing countries and countries with economies in transition, regardless of their size, we underline the need to ensure that the international financial institutions, including the International Monetary Fund, have a suitable array of financial facilities and resources to respond in a timely and appropriate way in accordance with their policies. The International Monetary Fund has a range of instruments available and its current financial position is strong. The contingent credit line is an important signal of the strength of countries' policies and a safeguard against contagion in financial markets. The need for special drawing rights allocations should be kept under review. In that regard, we also underline the need to enhance the stabilizing role of regional and subregional reserve funds, swap arrangements and similar mechanisms that complement the efforts of international financial institutions.

60. To promote fair burden-sharing and minimize moral hazard, we would welcome consideration by all relevant stakeholders of an international debt workout mechanism, in the appropriate forums, that will engage debtors and creditors to come together to restructure unsustainable debts in a timely and efficient manner. Adoption of such a mechanism should not preclude emergency financing in times of crisis.

61. Good governance at all levels is also essential for sustained economic growth, poverty eradication and sustainable development worldwide. To better reflect the growth of interdependence and enhance legitimacy, economic governance needs to develop in two areas: broadening the

base for decision-making on issues of development concern and filling organizational gaps. To complement and consolidate advances in those two areas, we must strengthen the United Nations system and other multilateral institutions. We encourage all international organizations to seek to continually improve their operations and interactions.

62. We stress the need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting. To those ends, we also welcome further actions to help developing countries and countries with economies in transition to build their capacity to participate effectively in multilateral forums.

63. A first priority is to find pragmatic and innovative ways to further enhance the effective participation of developing countries and countries with economies in transition in international dialogues and decision-making processes. Within the mandates and means of the respective institutions and forums, we encourage the following actions:

- International Monetary Fund and World Bank: to continue to enhance participation of all developing countries and countries with economies in transition in their decision-making, and thereby to strengthen the international dialogue and the work of those institutions as they address the development needs and concerns of these countries;
- World Trade Organization: to ensure that any consultation is representative of its full membership and that participation is based on clear, simple and objective criteria;
- Bank for International Settlements, Basel Committees and Financial Stability Forum: to continue enhancing their outreach and consultation efforts with developing countries and countries with economies in transition at the regional level, and to review their membership, as appropriate, to allow for adequate participation;
- Ad hoc groupings that make policy recommendations with global implications: to continue to improve their outreach to non-member countries, and to enhance collaboration with the multilateral institutions with clearly defined and broad-based intergovernmental mandates.

64. To strengthen the effectiveness of the global economic system's support for development, we encourage the following actions:

- Improve the relationship between the United Nations and the World Trade Organization for development, and strengthen their capacity to provide technical assistance to all countries in need of such assistance;
- Support the International Labour Organization and encourage its ongoing work on the social dimension of globalization;
- Strengthen the coordination of the United Nations system and all other multilateral financial, trade and development institutions to support eco-

nomic growth, poverty eradication and sustainable development worldwide;

- Mainstream the gender perspective into development policies at all levels and in all sectors;
- Strengthen international tax cooperation, through enhanced dialogue among national tax authorities and greater coordination of the work of the concerned multilateral bodies and relevant regional organizations, giving special attention to the needs of developing countries and countries with economies in transition;
- Promote the role of the regional commissions and the regional development banks in supporting policy dialogue among countries at the regional level on macroeconomic, financial, trade and development issues.

65. We commit ourselves to negotiating and finalizing as soon as possible a United Nations convention against corruption in all its aspects, including the question of repatriation of funds illicitly acquired to countries of origin, and also to promoting stronger cooperation to eliminate money-laundering. We encourage States that have not yet done so to consider signature and ratification of the United Nations Convention against Transnational Organized Crime.[5]

66. We urge as a matter of priority all States that have not yet done so to consider becoming parties to the International Convention for the Suppression of the Financing of Terrorism,[6] and call for increased cooperation with the same objective.

67. We attach priority to reinvigorating the United Nations system as fundamental to the promotion of international cooperation for development and to a global economic system that works for all. We reaffirm our commitment to enabling the General Assembly to play effectively its central role as the chief deliberative, policy-making and representative organ of the United Nations, and to further strengthening the Economic and Social Council to enable it to fulfil the role ascribed to it in the Charter of the United Nations.

III. Staying engaged

68. To build a global alliance for development will require an unremitting effort. We thus commit ourselves to keeping fully engaged, nationally, regionally and internationally, to ensuring proper follow-up to the implementation of agreements and commitments reached at the present

[5] General Assembly resolution 55/25.
[6] General Assembly resolution 54/109, annex.

Conference, and to continuing to build bridges between development, finance, and trade organizations and initiatives, within the framework of the holistic agenda of the Conference. Greater cooperation among existing institutions is needed, based on a clear understanding and respect for their respective mandates and governance structures.

69. Building on the successful experience of the Conference and the process leading up to it, we shall strengthen and make fuller use of the General Assembly and the Economic and Social Council, as well as the relevant intergovernmental/governing bodies of other institutional stakeholders, for the purposes of conference follow-up and coordination, by substantively connecting, in ascending series, the following elements:

(a) Interactions between representatives of the Economic and Social Council and the directors of the executive boards of the World Bank and the International Monetary Fund can serve as preliminary exchanges on matters related to follow-up to the Conference and preparations for the annual spring meeting between those institutions. Similar interactions can also be initiated with representatives of the appropriate intergovernmental body of the World Trade Organization;

(b) We encourage the United Nations, the World Bank and the International Monetary Fund, with the World Trade Organization, to address issues of coherence, coordination and cooperation, as a follow-up to the Conference, at the spring meeting between the Economic and Social Council and the Bretton Woods institutions. The meeting should include an intergovernmental segment to address an agenda agreed to by the participating organizations, as well as a dialogue with civil society and the private sector;

(c) The current high-level dialogue on strengthening international cooperation for development through partnership, held every two years in the General Assembly, would consider the financing for development-related reports coming from the Economic and Social Council and other bodies, as well as other financing for development-related issues. It would be reconstituted to enable it to become the intergovernmental focal point for the general follow-up to the Conference and related issues. The high-level dialogue would include a policy dialogue, with the participation of the relevant stakeholders, on the implementation of the results of the Conference, including the theme of coherence and consistency of the international monetary, financial and trading systems in support of development;

(d) Appropriate modalities to enable participation in the reconstituted high-level dialogue by all relevant stakeholders, as necessary, will be considered.

70. To support the above elements at the national, regional and international levels, we resolve:

- To continue to improve our domestic policy coherence through the continued engagement of our ministries of development, finance, trade and foreign affairs, as well as our central banks;
- To harness the active support of the regional commissions and the regional development banks;
- To keep the financing for development process on the agenda of the intergovernmental bodies of all main stakeholders, including all United Nations funds, programmes and agencies, including the United Nations Conference on Trade and Development.

71. We recognize the link between financing of development and attaining internationally agreed development goals and objectives, including those contained in the Millennium Declaration, in measuring development progress and helping to guide development priorities. We welcome in that regard the intention of the United Nations to prepare a report annually. We encourage close cooperation between the United Nations, the World Bank, the International Monetary Fund and the World Trade Organization in the preparation of that report. We shall support the United Nations in the implementation of a global information campaign on the internationally agreed development goals and objectives, including those contained in the Millennium Declaration. In that respect, we would like to encourage the active involvement of all relevant stakeholders, including civil society organizations and the private sector.

72. To underpin those efforts, we request the Secretary-General of the United Nations to provide - with collaboration from the secretariats of the major institutional stakeholders concerned, fully utilizing the United Nations System Chief Executives Board for Coordination mechanism - sustained follow-up within the United Nations system to the agreements and commitments reached at the present Conference and to ensure effective secretariat support. That support will build on the innovative and participatory modalities and related coordination arrangements utilized in the preparations of the Conference. The Secretary-General of the United Nations is further requested to submit an annual report on those follow-up efforts.

73. We call for a follow-up international conference to review the implementation of the Monterrey Consensus. The modalities of that conference shall be decided upon not later than 2005.

Financing *for* Development

Cover design from marble facing at the United Nations
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FINANCING FOR DEVELOPMENT OFFICE

Pursuant to General Assembly resolution 57/273 of 20 December 2002, the Financing for Development Office (FfDO) was established to promote and support sustained follow-up to the agreements and commitments reached at the 2002 International Conference on Financing for Development, as contained in the Monterrey Consensus, as well as financing for development-related aspects of the outcomes of major United Nations conferences and summits in the economic and social fields, including the development goals set out in the United Nations Millennium Declaration and the 2005 World Summit Outcome.

FfDO serves as the focal point in the United Nations Secretariat for overall follow-up to the implementation, at the national, regional and global levels, of the outcome of the 2002 International Conference on Financing for Development and the preparation of the 2008 Review Conference. In this context, the Office works towards intensifying collaboration and interaction with the secretariats of the major institutional stakeholders (World Bank, IMF, WTO, UNCTAD and UNDP), the regional commissions and development banks, as well as civil society and the business sector, with a view to promoting coherence and an integrated approach, within the United Nations system and beyond, to the thematic areas related to financing for development.

FfDO provides substantive secretariat support, including the preparation of annual multi-stakeholder reports and other inputs, to the intergovernmental process entrusted with the follow-up to the Monterrey Conference, in particular the biennial High-level Dialogue of the General Assembly on Financing for Development and the annual Special High-level Meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD. In addition, the Office is mandated to organize, in collaboration with experts from the public and private sectors, academia and civil society, multi-stakeholder events and other activities aimed at better enabling Member States to implement their commitments as agreed upon in the Monterrey Consensus and related outcomes.

Contact

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United Nations

General Assembly
Sixty-second session

Third High-Level Dialogue on

Financing *for* Development

United Nations Headquarters
New York
23-24 October 2007

Third High-Level Dialogue on Financing for Development

Background

The Monterrey Consensus of the 2002 International Conference on Financing for Development mandated the General Assembly to reconstitute its biennial high-level dialogue on strengthening international cooperation for development through partnership into the High-level Dialogue on Financing for Development, to serve as the intergovernmental focal point for the general follow-up to the Conference and related issues. The first and second High-level Dialogues were held in New York on 29-30 October 2003 and on 27-28 June 2005, respectively. Detailed information on these events is available at *www.un.org/esa/ffd/indexIntergovernmentalFollow-up.htm*.

Objective

The High-level Dialogue provides a ministerial-level forum, with the participation of all relevant stakeholders in the Financing for Development process, to assess the state of implementation of the Monterrey Consensus, including the theme of coherence and consistency of the international monetary, financial and trading systems in support of development. This year's Dialogue has a special significance, as it is expected to make a major contribution to the preparation of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, to be held in Doha, Qatar in the second half of 2008.

Modalities

Pursuant to General Assembly resolution 61/191, the modalities for the 2007 High-level Dialogue on Financing for Development will be the same as those used in the 2005 Dialogue, as described in resolution 59/293. Accordingly, the Dialogue consists of a series of plenary and informal meetings on the overall theme "The Monterrey Consensus: status of implementation and tasks ahead" and six interactive multi-stakeholder round tables on the major thematic areas of the Monterrey Consensus.

Participants

All plenary and informal meetings are open to participation by Member States and observers as well as intergovernmental organizations having received a standing invitation to participate in the work of the General Assembly. In addition, relevant organizations of the UN system as well as intergovernmental organizations, civil society and business sector entities accredited to the Financing for Development process are invited to participate in the informal interactive dialogue and the multi-stakeholder round tables.

Documentation

The substantive documentation of the 2007 High-level Dialogue on Financing for Development includes the following:

- Report of the Secretary-General entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" (A/62/217);
- Report of the Secretary-General entitled "Follow-up to and implementation of the Monterrey Consensus of the International Conference on Financing for Development: the regional dimension" (A/62/190);
- Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 16 April 2007) (A/62/76-E/2007/55 and Corr.1).

Outcome

The President of the General Assembly will prepare a summary of the High-level Dialogue, which is expected to provide an important input to the preparatory process of the 2008 Review Conference in Doha.

Hearings

- Informal interactive hearings of the business sector
  11 October 2007, 10 a.m. – 1 p.m.
  Conference Room 2
- Informal interactive hearings of civil society
  22 October 2007, 10 a.m. – 1 p.m.
  Conference Room 2

Side Events

The calendar of side events, organized by Member States and other stakeholders, is posted at *www.un.org/esa/ffd*.

Provisional Programme

23 October 2007

Plenary meeting
(General Assembly Hall)

10 a.m. – 1 p.m.

Opening remarks by
H.E. Dr. Srgjan Kerim, President of the General Assembly

Statements by
H.E. Mr. Ban Ki-moon, Secretary-General of the United Nations
H.E. Mr. Dalius Čekuolis, President of the Economic and Social Council

Statements by senior managers of the major institutional stakeholders:
World Bank
International Monetary Fund
World Trade Organization
United Nations Conference on Trade and Development
United Nations Development Programme

Formal statements by
Ministers and high-level officials

Plenary meeting
(General Assembly Hall)

3 p.m. – 6 p.m.

Formal statements by
Ministers and high-level officials

24 October 2007

Multi-stakeholder round tables

10 a.m. – 11:30 a.m.

Round table 1: *Mobilizing domestic financial resources for development*

Round table 2: *Mobilizing international resources for development: foreign direct investment and other private flows*

Round table 3: *International trade as an engine for development*

11:30 a.m. – 1 p.m.

Round table 4: *Increasing international financial and technical cooperation for development*

Round table 5: *External debt*

Round table 6: *Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development*

Informal interactive dialogue

3 p.m. – 5:45 p.m.

Implementation of the results of the International Conference on Financing for Development and the link between financing for development and the achievement of the internationally agreed development goals, including the Millennium Development Goals

Plenary meeting

5:45 p.m. – 6 p.m.

Concluding remarks by
H.E. Dr. Srgjan Kerim, President of the General Assembly

Financing for Development

Informal Hearings of Civil Society on Financing for Development

22 October 2007, Conference Room 2
Provisional Programme

Overall Theme

Civil Society Perspective on the Status of Implementation of the Monterrey Consensus and Tasks Ahead

10:00 – 10:15 a.m.

Opening of the meeting and organization of work

Welcome remarks by the Chairperson of the meeting
H.E. Dr. Srgjan Kerim, President of the 62nd session of the General Assembly

10:15 a.m. – 12:45 p.m.

Panel discussion

Moderator:

Mr. Oscar de Rojas, Director, Financing for Development Office, Department of Economic and Social Affairs

Panelists:

Ms. Rosario Romero, Program Coordinator for Social Development, Forum Solidaridad, Perú
"The role of civil society in mobilizing domestic resources for development"

Ms. Celine Tan, Senior Researcher, Third World Network, Malaysia
"The finance and trade nexus: systemic challenges"

Mr. Vitalice Meja, Programme Director, AFRODAD, Zimbabwe
"Challenges of the current aid architecture: Addressing the development needs of Africa"

Mr. Rodney Schmidt, Principal Researcher, North-South Institute, Canada
"Innovative sources of financing for development"

Ms. Hellen Wangusa, Anglican Observer to the United Nations, Uganda
"External debt and financing for development"

12:45 – 1:00 p.m.

Closing remarks by the Chairperson of the meeting

Biographical Notes

Ms. Rosario Romero is the Programme Coordinator for Social Development at Forum Solidaridad Perú, which encourages the participation of institutions, collectives and networks in monitoring the implementation of the recommendations of the Truth and Reconciliation Commission. Ms. Romero promotes the participation of civil society in public policies, particularly in the areas of food security and health services. She received her degree in Sociology from Universidad Nacional Mayor de San Marcos.

Ms. Celine Tan is a Researcher at the Third World Network, an NGO working on issues of social, economic and ecological importance to people in developing countries. She has written and published on issues related to debt and development and operations of the international financial institutions. Ms. Tan has recently completed her PhD at the School of Law, University of Warwick, UK, focusing on the regulatory framework of the Poverty Reduction Strategy Paper (PRSP) approach to development financing.

Mr. Vitalice Meja is the Director of the Lobby, Advocacy and Campaign Programme at AFRODAD. His research has focused on the role of civil society in development cooperation, economic development, poverty reduction policies and microfinance. Mr. Meja has extensive policy lobbying experience at the national, regional and international levels on issues pertaining to financing for development, debt relief and official development assistance.

Mr. Rodney Schmidt joined the North-South Institute in Ottawa, Canada, as Principal Researcher in 2002, specializing in macroeconomic development and international finance. Prior to that appointment, he worked for four years at Canada's International Development Research Centre in Hanoi, Vietnam. From 1993 to 1998, Mr. Schmidt was a Researcher and Policy Analyst at the International Finance Division of the Canadian Government's Department of Finance. He received his PhD in Economics from the University of Toronto.

Ms. Hellen Wangusa is the Anglican and Archbishop of Canterbury's Representative at the UN. Prior to this assignment, she coordinated the MDG-Millennium Campaign for Africa and worked for eight years as the Coordinator of the African Women's Economic Policy Network. Ms. Wangusa also served as the Vice-President of the All Africa Conference of Churches, the Chairperson of the International South Group Network and a WEDO Board member. As a recipient of a Fulbright scholarship, she obtained her MA from the University of Tulsa after graduating in literature and education from Makerere University.

Financing for Development

INFORMAL HEARINGS OF THE BUSINESS SECTOR ON FINANCING FOR DEVELOPMENT

11 October 2007, Conference Room 2
Provisional Programme

Overall Theme

Business Sector Perspective on the Status of Implementation of the Monterrey Consensus and Tasks Ahead

10:00 – 10:15 a.m.

Opening of the meeting and organization of work

Welcome remarks by the Chairperson of the meeting
H.E. Mr. Maged A. Abdelaziz, Permanent Representative of Egypt to the United Nations
Vice-President of the 62nd session of the General Assembly

10:15 a.m. – 12:45 p.m.

Panel discussion

Moderator:

Mr. Oscar de Rojas, Director, Financing for Development Office, Department of Economic and Social Affairs

Panelists:

Mr. Parag Saxena, Co-founder and CEO, Vedanta Capital
"Venture Capital investment to promote entrepreneurship in developing countries"

Mr. Aram Zamgochian, Project Director, Middle East and Africa Affairs, US Chamber of Commerce
"International Investment Criteria in Emerging Markets"

Mr. John Sullivan, Executive Director, Center for International Private Enterprise
"Designing a reform agenda for developing democratic governance and market institutions"

Mr. Raul Calvet, President, Calvet & Associates
"Changing Government and Private Sector Relations"

12:45 – 1:00 p.m.

Closing remarks by the Chairperson of the meeting

Biographical notes

Parag Saxena is Co-founder and CEO of Vedanta Capital. He has been involved in more than 300 private transactions and has served on the Partnership Advisory Boards of Accel, Gryphon, Domain Partners, Essex Woodlands, Kiwi I Ventures, Salix Venture Partners and Skyline Venture Partners, as well as on the boards of several private and public companies. Mr. Saxena co-founded the private capital group at Citicorp Investment Management and INVESCO Private Capital. Previously, he worked in the Technology Management Services Group at Booz, Allen and Hamilton. Mr. Saxena received MBA from the Wharton School of the University of Pennsylvania in 1982 and MS in Chemical Engineering from West Virginia College of Graduate Studies in 1978.

Aram B. Zamgochian is Project Director, Middle East and Africa Affairs, United States Chamber of Commerce. His project management experience covers various donor-funded and private sector technical assistance as well as policy initiatives in Afghanistan, Bangladesh, India, Nepal, Thailand, Singapore, Pakistan and Sri Lanka, with a focus on: energy trade favoring clean fuels; energy sector liberalization; energy sector planning and policy analysis; developing competitive markets for industry and energy; strengthening the local private sector to advocate for investment-friendly market reforms; regional cooperation in energy efficiency (standards and labeling); increasing the private sector role in reform and energy efficiency; and executive-level peer exchanges to promote transfer of private industry best practices in developing energy markets.

John Sullivan is Executive Director of the Center for International Private Enterprise (CIPE), an affiliate of the US Chamber of Commerce. As Associate Director of the Democracy Program, Mr. Sullivan helped to establish both CIPE and the National Endowment for Democracy in 1983. After serving as program director, he became Executive Director in 1991. Under his leadership CIPE developed a number of innovative approaches that link democratic development to market reforms, such as combating corruption, promoting corporate governance, building business associations, supporting the informal sector, and programs to assist women and youth entrepreneurs.

Raul F. Calvet is founder and Senior Partner of Calvet & Associates based in Managua, Nicaragua. He is a well recognized public figure in Nicaragua's tourism industry. He has been directly involved in many national development projects of international significance, such as the Canadian charter program into Barceló Beach Resort, the Cruise ships program arriving into the Pacific ports, as well as the first large European and US tour operators packages covering Costa Rica and Nicaragua. His other accomplishments include: the establishment of the Nicaragua Conventions Bureau, the National Marketing Committee and the new Government's Tourism Marketing Strategy, as well as the creation of several tourism businesses in the areas of lodging, ground operations and conventions organization.

23 October 2007

High-level Dialogue on Financing for Development

List of Roundtable Co-Chairs and Lead Discussants

(24 October 2007)

Round table 1	**Mobilizing domestic financial resources for development**
Co-Chairs	**H.E. Mr. Kwadwo Baah-Wiredu, Minister of Finance and Economic Planning, Ghana** **H.E. Mr. Peter Moors, Director General for Development Cooperation, Belgium**
Lead Discussant	**Mr. Carlos Braga, Senior Advisor, Poverty Reduction and Economic Management, World Bank**

Round table 2	**Mobilizing international resources for development – foreign direct investment and other private flows**
Co-Chairs	**H.E. Ms. Hina Rabbani Khar, State Minister for Economic Affairs, Pakistan** **H.E. Mr. László Várkonyi, State Secretary, Ministry of Foreign Affairs, Hungary**
Lead Discussant	**Mr. Khalil Hamdani, Director, Division on Investment, Technology and Enterprise Development, United Nations Conference on Trade and Development (UNCTAD)**

Round table 3	**International trade as an engine for development**
Co-Chairs	**H.E. Ms. Patricia Orantes, Planning and Programming Secretary of the Presidency (Minister), Guatemala** **H.E. Ms. Ol'ga Algayerová, State Secretary, Ministry of Foreign Affairs, Slovak Republic**
Lead Discussant	**Ms. Valentine Rugwabiza, Deputy Director-General, World Trade Organization (WTO)**

Round table 4	**Increasing international financial and technical cooperation for development**
Co-Chairs	**H.E. Dr. A.B. Mirza Md. Azizul Islam, Honourable Finance Advisor (Finance Minister), Bangladesh** **H.E. Ms. Marjatta Rasi, Under-Secretary of State, Finland**
Lead Discussant	**Mr. Jeffrey Sachs, Special Adviser to the Secretary-General on MDGs and Director, UN Millennium Project, United Nations Development Programme (UNDP)**

Round table 5	External debt
Co-Chairs	H.E. Mr. Tjikero Tweya, Deputy Minister of Finance, Namibia H.E. Mr. Salvador de Lara, Director General of Regional Economic and Multilateral Organizations, Ministry of Foreign Affairs, Mexico
Lead Discussant	Mr. Mark Plant, Deputy Director, Policy Development and Review Department, International Monetary Fund (IMF)

Round table 6	Addressing systemic issues – enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development
Co-Chairs	H.E. Mr. Eduardo Galvez, Multilateral Policy Director, Ministry of Foreign Affairs, Chile H.E. Mr. Andreas D. Mavroyiannis, Permanent Representative of the Republic of Cyprus to the United Nations
Lead Discussant	Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, United Nations Department of Economic and Social Affairs (UN-DESA)

23 October 2007 (p.m.)

High-level Dialogue on Financing for Development

List of Civil Society Participants in Round Tables
(24 October 2007)

Round table 1: Mobilizing domestic financial resources for development		
Mr. David Spencer (US) Senior Adviser Tax Justice Network	**Ms. Rosario Romero** (Peru) Senior Representative International Presentation Association of the Sisters of the Presentation	**Mr. Narendra Kumar Chaudhari** (India) Secretary-General Institute for Sustainable Development and Research

Round table 2: Mobilizing international resources for development: foreign direct investment and other private flows		
Ms. Gemma Adaba (Trinidad and Tobago) Special Representative to the United Nations International Trade Union Confederation	**Ms. June Zeitlin** (US) Executive Director Women's Environment and Development Organization	**Mr. Peter Lanzet** (Germany) Senior Policy Advisor Church Development Service

Round table 3: International trade as an engine for development		
Mr. Aldo Caliari (Argentina) Project Director Center of Concern	**Ms. May Sengendo** (Uganda) Senior Adviser Anglican Consultative Council	**Mr. Rogate R. Mshana** (Tanzania) Programme Executive for Economic Justice World Council of Churches

Round table 4: Increasing international financial and technical cooperation for development		
Mr. David Hillman (UK) Senior Representative European Network on Debt and Development	**Ms. Specioza Kiwanuka** (Uganda) Director of Programmes ActionAid International	**Mr. Vitalice Meja** (Zimbabwe) Programme Director AFRODAD

Round table 5: External debt		
Ms. Marta Garrich (Spain) Project Coordinator UBUNTU Secretariat	**Ms. Philo Morris** (India) Chair NGO Committee on Financing for Development	**Ms. Hellen Wangusa** (Uganda) Special Representative to the United Nations Anglican Consultative Council

Round table 6: Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development		
Ms. Celine Tan (Malaysia) Senior Researcher Third World Network	**Mr. Roberto Bissio** (Uruguay) Executive Director Third World Institute	**Mr. Per Kurowski** (Venezuela) Senior Representative New Rules for Global Finance Coalition

23 October 2007

High-level Dialogue on Financing for Development

List of Business Sector Participants in Round Tables
(24 October 2007)

Round table 1: Mobilizing domestic financial resources for development		
Ms. Anne-Francoise Lefevre (Belgium) Head of Institutional Relations World Savings Banks Institute (WSBI)	**Mr. Odo Habeck** (USA) Managing Partner OGH Advisors	**Mr. Harvey Dupiton** (USA) Founder and President Xen Pi Consulting
Round table 2: Mobilizing international resources for development: foreign direct investment and other private flows		
Mr. Parag Saxena (India) CEO Vedanta Capital	**Mr. Stephen J. Canner** (USA) Vice President, Investment and Financial Services US Council for International Business	**Mr. Prakash Mehta** (USA) Partner Akin Gump Strauss Hauer & Feld LLP
Round table 3: International trade as an engine for development		
Ms. Louise Kantrow (USA) Permanent Representative to the United Nations International Chamber of Commerce	**Mr. Peter Kazaura** (Tanzania) Chief Operating Officer European-SADC-States-Bridge (ESSB)	**Mr. Juan Mulder** (Peru) Member of the Board of Directors Química Suiza
Round table 4: Increasing international financial and technical cooperation for development		
Mr. Oludotun Ajayi (Nigeria) Coordinator, West Africa Chapter African Business Roundtable	**Ms. Barbara Samuels** (USA) President Samuels Associates	**Mr. Ron Nechemia** (USA) Chairman & CEO EurOrient Financial Group
Round table 5: External debt		
Mr. Erwin Krüger (Nicaragua) Former President Superior Council for Private Enterprise	**Mr. Odo Habeck** (USA) Managing Partner OGH Advisors	**Mr. Peter Kazaura** (Tanzania) Chief Operating Officer European-SADC-States-Bridge (ESSB)
Round table 6: Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development		
Mr. Herman Mulder (Netherlands) Senior Advisor UN Global Compact Office (ex ABN AMRO Bank N.V.)	**Ms. Jean Rogers** (USA) Deputy Director Center for International Private Enterprise	**Mr. Thomas Cochran** (USA) Managing Director Civil Credit Advisors LLC