
The UN Financing for Development Process

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I. History

It is important to realize and understand that the demand for such a high-level conference has been driven by the South from its early origins.

The first debt crisis which formally began when Mexico defaulted on its external debt in August 1982 can be viewed as creating the conditions for this demand which was first explicated in the late 1980s when it became clear that it had been a “lost decade” for Latin America and that the net transfer of resources from North to South was negative with a real positive transfer of resources from South to North largely through debt payments instead.

Yet, the call for such a conference, which unsurprisingly came from the Latin American countries was not heeded, particularly by the North who did not see the need for such a conference. This situation remained the same for much of the 1990s but the Asian led global financial crisis which broke in 1997, together with the continuing decline of Overseas Development Assistance (ODA) in the 1990s and the unfunded commitments of the major UN Conferences of the 1990s all made such a conference inevitable, even if there remained unenthusiastic support for it in the North. Despite the reluctance of the North to hold such a conference under UN auspices, continuing calls for reform of the global financial architecture have, nevertheless, made the impetus for such a high-level event hard to ignore as the world entered the 21st century.

II. Agenda

It took approximately 3 years from 1997 to agree on an agenda, which was formally adopted at a Preparatory Committee (Prepcom) meeting in mid-2000 with the help of the Mexican facilitator. Six major themes were agreed as part of the agenda: Domestic Resource Mobilization, ODA and International Cooperation, Debt, Trade, International Financial Flows and Systemic Issues but for practical purposes, Debt was later combined with ODA and International Cooperation for some purposes and with Systemic Issues for other purposes.

It is clear from the above that this is a very comprehensive and important agenda for the South, hence its importance to developing countries. Yet at the first Prepcom, the status and venue of the “high-level” event remained unresolved. Indeed, resolution of both were inextricably linked since no government was willing to offer a venue for the event until its status was first decided.

III. Key Innovative Features

These include at least the following:

- the attempt, for the first time ever, to include the Bretton Woods twins and the WTO in the event's design right from the beginning,
- related to the above, the first event ever to try to bring together Ministers of Finance, Trade, Foreign Affairs and Heads of State in one event with a united and coherent position on behalf of their governments,
- the inclusion of civil society (CS) and private sector hearings as part of the official event with their contributions recorded as an official input into the second Prepcom in February 2001.

IV. Process Agreed at First Prepcom

- Regional Consultations
- Global Hearings with civil society and the private sector
- Three Prepcoms (later modified to include a fourth in January 2002)
- Consultations of the Financing for Development (FfD) Bureau/Secretariat with the Boards of the World Bank, IMF and WTO General Council
- Creation of five Working Groups comprising membership from inter-governmental (IGOs)
- Secondment from IGOs to the FfD Secretariat
- UN Secretary General's (SGs) report to the Second Prepcom based on output of Working Groups
- SG appointed High Level Panel on FfD.

V. Second Prepcom (February 12-23, 2001)

This Prepcom was not a negotiating forum, only for dialogue and trust building, especially between North and South. This was seen as particularly important given the difficult and contentious nature of many of the themes and the differing views on them.

At the risk of generalizing, the G77 and PR China frequently had common positions while the EU largely spoke with one voice and was broadly supported by the USA, Canada, Australia and other Northern countries.

The modest gains of this Prepcom were the building of some trust (but how real was this?), the presence of Finance Ministry representatives in a few delegations for the first time (still too few!) and more importantly, perhaps, agreement on the status of the event as a high level stand-alone international conference with a summit segment, despite the objection of the US delegation in particular. The agreement on Mexico as the venue was, no doubt, part and parcel of the agreement on the status of the event, since consensus on this location was probably pivotal to an agreement on the status of the event, which in turn was crucial to Mexico's willingness to host the conference.

On the negative side, there was still very little presence of Finance and Trade ministry representatives in the FfD delegations from both North and South, the linkage with social and environmental issues and the UN Rio + 10 (WCSD) was almost non-existent with almost no one making the links and there was very little substantive discussion of the key content of the agenda. Moreover, it was increasingly clear that what the North wants from the conference is very different from what the South wants from it while the South was clearly not ready with substantive negotiating positions.

Overall, in addition to status and venue, some agreement was reached in the Prepcom's final resolution, however. It was agreed that the third Prepcom would be split into two parts with the first part to be held from May 2-8, 2001 (as a non-negotiating forum for continuing dialogue and trust-building) while the second week of the Prepcom would be held in October 2001 as the first negotiating forum. April 15, 2001 was set as a deadline for submission by delegations of themes and issues for further discussion in the third Prepcom. These were to be submitted to the facilitator who would then put them into a report which would be the basis for discussion in the third Prepcom's first week in May.

VI. Key Schisms and Divides

In general, these appear to exist very much along North-South lines in this conference's agenda and process and include:

- priority to domestic resource mobilization (EU/US) versus other five agenda themes (G77/PR China)
- status of event (G77/PR China wanted international conference at summit level while US wanted it merely to be a Special Session of the UN General Assembly with no independent status, and definitely not at the Summit level)
- Outcomes (EU/US only keen on a declaration with no Plan of Action or Workplan while G77/PR China want the latter in addition to a declaration)

- When to start negotiations (G77/PR China would have liked to do this as early as possible while EU/US have not been keen to negotiate since they are not looking for a substantive outcome)
- Role and relationship between Bretton Woods institutions and UN and other
- Systemic issues (EU/US not keen to see any discussion or decision on these issues in this conference while G77/PR China see the Systemic Issues agenda item as the one most for them).

VII. Where Do We Go from Here and How Can the Links with Rio + 10 be Made?

First, it needs to be said that the links between FfD and Rio + 10 are crucial to make and should not be delayed. It will be particularly important to get the South interested in Rio + 10 since their priority at this point appears to be FfD rather than Rio + 10. Unless, the methodology of the latter reflects a bottom up agenda based on an environment and broader sustainable development agenda from a development perspective, it is unlikely that the South will view Rio + 10 enthusiastically or give it importance. At the global level, globalisation is the common thread of both UN conferences and this link should be made in a manner that prioritizes the concerns of the South.

VIII. UNDPs Engagement in FfD

UNDP views FfD as very important for both substantive and institutional reasons with key contributions to make on ODA, Global Public Goods, Debt and Trade from a developing country and human development perspective. It has actively participated in the Secretariat and in the Working Groups that informed the SGs report to the February Prepcom in addition to the Prepcoms themselves. It has also supported participants to the global civil society hearings and will over the coming months be supporting national level processes involving governments and civil society. UNDP has an in-house working group on FfD which is in the process of discussing and finalizing UNDPs process support to developing countries as well as its positions on the substantive issues in the FfD agenda.