

Financing for Development:

Report on the fourth and last Prep Comm in New York

Introduction

At the final Prep Comm for the Financing for Development Conference scheduled to take place from March 18-22, 2002 in Monterrey, Mexico, government delegates agreed after long and difficult negotiations on a common outcome document which heads of states and governments will adopt later on in March 2002. The official negotiation process ended long after the official end of the Prep Comm at 11 am on Sunday as government officials were not able to find an agreement on a common text earlier. Unfortunately, the so-called Monterrey Consensus agreed to in New York does by no means look like an improvement on the way to creative thinking and linking the international finance agenda with the goal of achieving equitable and sustainable development. Still, there might be some hope that at least some of the initial spirit of the FfD process can be revived, if not at the official part of the conference in Mexico then at the Global NGO Forum which will take place in Monterrey as well from March 14-18.

The Monterrey Consensus

The FfD process started off as what seemed to be a chance to provide new solutions for the permanent financial crisis of the countries of the South. Topics on the agenda go from the future role of public and private capital flows to the institutional reforms within the world financial system. Quantity as well as quality of the development assistance should both be addressed to promote in the end a sustainable development in the countries of the South. Since the 1960s, if not earlier, issues regarding financing for development are among the most controversial within the South-North discussion. Especially government officials from developing countries have demanded the international conference on FfD, which should deal with the future of development assistance mainly because of reasons such as the ongoing decline of official development assistance (ODA), the uncontrolled international flows of private capital or the increased need for regulation and harmonization within the global monetary and financial system.

At the fourth and last Prep Comm, it was very clear that not much of the original goal was left as neither the outcome document nor the negotiation process which took place largely without the opportunity for NGOs to participate actively can be assessed as an improvement on the way to build a social, just and ecological sustainable life for everybody on this planet.

Still, there are some positive outcomes as during the negotiations in New York, delegates quickly agreed on the central role of domestic resources for development. Therefore, the

Monterrey Consensus stresses the importance of good governance, democracy and human rights, an efficient tax system and a functioning domestic finance sector. Broad account was taken of the demand of the USA for the entrenching of its three basic principles of "peace, freedom and capitalism", at least the latter was replaced by "market-oriented policies".

Furthermore, industrialized and developing countries agreed on increased promotion of foreign direct investments (FDI). The text now includes demands from industry to improve particularly the investment climate in developing countries, so that companies can operate more "efficiently and profitably". However, the EU failed in its efforts to additionally include the results of the WTO ministerial conference of Doha regarding trade and investment. The text no longer refers to the negotiations called for by the EU in the WTO on a multilateral framework on FDI. Under pressure of the G 77, references to the OECD Guidelines for Multinational Companies and the Global Compact were also deleted. The companies were merely urged "to take into account" environmental, social, gender and developmental implications of their undertakings.

Passages on trade were debated with unexpected passion after the EU here too brought in positions going beyond those of Doha in the view of the G 77. Ultimately, the text mainly encourages the WTO members to implement the outcome of Doha.

Until the end, the decisions on Official Development Assistance (ODA) remained controversial. Numerous proposals fell victim to the self-imposed enforced consensus and pressure from the US. This also affected the commitment to an immediate doubling of ODA by 50 billion US dollars, in order to achieve the Millennium Development Goals (MDGs) as defined in the Millennium Declaration of the Heads of State and Government in 2000. Instead of agreeing on a binding timetable to raise ODA, the Monterrey Consensus merely advises exploring a possible "timeframe".

All passages on financing Global Public Goods were deleted – despite the active support for this topic by e.g. the French and Swedish governments. In general, new financing instruments, above all the Currency Transaction Tax (CTT), were not included in the text at all. The agreement was only to study innovative financing instruments commissioned by the UN Secretary General in "the appropriate fora".

In the field of external debt, there was little progress either. The Monterrey Consensus calls for the immediate implementation of the expanded HIPC initiative and for worsened growth prospects and terms of trade to be considered in the assessment of debt sustainability.

Remarkable progress had been made in the FfD discussions on introducing a fair and transparent arbitration procedure for debt relief – by analogy with national insolvency law. Ultimately, the only thing remaining is the recommendation to examine the possibility of an "international debt workout mechanism".

From the beginning of the FfD process, the systemic issues were a matter of controversy at the conference. Eventually, the US and the EU opposed any demands for tangible institutional reforms in the international financial architecture. What remained were appeals to involve developing countries more in the decision making processes of international financial institutions and to strengthen the United Nations, in particular the General Assembly and ECOSOC. The follow-up to Monterrey will feature the spring meeting of ECOSOC and the Bretton Woods Institutions, and the High-level Development

Dialogue of the General Assembly which takes place every two years. The General Assembly has been expressly given the task of concerning itself with the development policy coherence and consistency of the international monetary, financial and trading systems. This could at least be interpreted as an upgrading of the United Nations over against the IMF, World Bank and the WTO.

With the outcome document released, the main focus of the FfD process is clearly visible. True, government officials mainly from EU countries and members of the FfD secretariat waste no opportunity to highlight that the FfD conference should be seen only as a starting point on the way to a much longer and intensive process towards financing development worldwide. They also stressed the fact that within this process for the first time in the history of the UN, official stakeholders such as the IMF, the World Bank and the WTO are sitting together with governments and civil society around one table to discuss the future of the international financial structure and the economic globalization.

Although the FfD process is taking place at the UN, for example the U.S. delegation left out no chance to call into question the legitimacy of the FfD process to address the reform of the public institutions that currently drive the international economic system, like the World Bank, the IMF and the WTO – a fact that was highly criticized, especially among NGO participants. While commending the ‘marvelous dialogue and cooperation’ that so far has taken place between those actors and the UN in the FfD process, the U.S. made clear that demands that threaten those institutions’ mandates or governance structures might drive it away from the process. It seems to be the U.S. view that the financial and trade institutions are participating in the process only to bring their expertise, but that no issues related to their own policies are in need of being addressed.

During a plenary session at the first week, the US walked out of the room after having provided a copy of all its text comments to delegates – a ‘nice’ way of saying that it was not very interested in what other delegations had to say. Clearly it would be naïve to expect that, in a UN forum, the Washington consensus would not prevail or that the US would reverse its policy in the basement of the United Nations. But on the other hand it is also clear that especially NGOs need to rethink their strategies on how to influence the global agenda by attending those international conferences and trying to be an equal partner.

NGO involvement

As mentioned before, NGO participation was not well received at the final stage of the official negotiation process. Delegates met in small room for so-called ‘informal informals’ the meeting rooms sometimes being too small to allow even the participation of all government officials. As a result, many representatives from the civil society do not see themselves as partners with equal rights in an open discussion and decision-making process and, even worse, they do not see that FfD holds a chance to create a new global structure with the goal of sustainable development.

In WIDE’s, the **Network Women in Development Europe’s**, words: “The draft Outcome Document contains some rhetoric allusions to a more equitable and ecologically sustainable view of development (...), but generally speaking, it is a blueprint to facilitate progress and profit for those who are already at the controls of economic and political power. The concept of prevailing “development” strategies is never really questioned,

“development” is equated with economic growth and - as a delegate of the Group of 77 pointed out during the October PrepCom – to an increasing degree with globalization. With a globalization that is not gender sensitive, ecologically sustainable and inclusive of civil society, but directed by the economic interests of Transnational Corporations and hard-core capitalist groups in rich countries. With a globalization which considers Foreign Direct Investments as well as speedy commercialization and privatization of all life on earth as the winning formula to ensure freedom from poverty and quality of life all over the planet.”

A statement from over 40 **European NGOs** brings the same frustration into very concrete terms. They agreed on a number of points as a basis for their expectations of the FfD process which include the stabilization of international financial markets, an increase of aid levels and a binding timetable for reaching the UN target of 0.7 percent GNP for ODA, the improvement of the quality and effectiveness of aid for poverty reduction, a human development approach in measuring external debt sustainability, a fair and transparent debt arbitration procedure, an international cooperation on tax matters as well as their participation in economic global governance and a monitoring mechanism for the achievement of the Millennium Development Goals

But compared with the final outcome paper it is apparent that none of the NGO demands is reflected there. Four demands are not being addressed at all in the final outcome paper, those are the immediate increase in ODA and agreement on a timeframe, a mandate to the UN to explore measures to enhance the stability of the international financial system and explicit reference to CTTs, the evaluation of regulatory frameworks for trade and investment against their impact on achieving the MDGs and environmental protection and independent external evaluations of the performance of IFIs.

Three demands are addressed only in an insufficient manner. These are the measuring of debt sustainability on the financial needs of countries to achieve the Millennium Development Goals, and widening of eligibility for debt relief, a commitment to enter into the designing of a fair and transparent arbitration process for sovereign debtors and the reform of the international financial institutions, starting with a participatory review process of the composition and procedures of the decision-making bodies.

A number of broader points are no longer included into the FfD process at all. For example, FfD could have provided the opportunity for establishing a human rights framework for development. NGOs further criticized that the final outcome document completely lacks references to environmental sustainability for development as discussed in the WSSD process. Other missing points are that the outcome document

- ignores innovative approaches such as the debate on Global Public Goods and their financing;
- fails to confirm a follow-up procedure or any commitment to implementation for the study of the UN Secretary General on economic globalization, which is to look specifically at innovative measures of finance;
- fails to give a clear role to the UN system in the governance of global economic relations.

Especially NGO representatives following the FfD process since its beginning, but also a number of representatives from academia, think tanks and international organizations are considering the FfD process and the Monterrey Consensus a political failure. Two of the

most pressing questions are now what can be the message not only for the Monterrey Conference itself but also for the World Summit on Sustainable Development in Johannesburg in August/September 2002? Many civil society representatives will see it as their duty to inform the public as well as the participating stakeholders in the preparation for the WSSD about the insufficient base for the financing of sustainable development.

Should NGOs follow the invitation to sit together with governments and other stakeholders on the so-called Round Tables to discuss about policies that have already been decided upon without consulting them or taking their concerns into account? Or should they declare the whole process as a total failure and raise their voice outside on the streets? As nothing is eaten as hot as it is cooked, NGOs, with the end of Prep Comm about a month behind them, decided to join the Round Tables at Monterrey (see attachment for the names of the NGO Representatives). Even if most agree, that there is no real outcome to be expected, NGOs couldn't seem to resist the opportunity of sitting together with their governments and other stakeholders around the same table to discuss the future of the world. On the other hand, it does make a lot of sense to join in at the conference with officials stressing the point that Monterrey has to be seen only as a starting point for a long term process. To exclude oneself from this process might be considered later on as a missed opportunity to stay engaged into what might become a shift away from the Washington Consensus to a broad social, ecological and equal development worldwide.

Still, governments shouldn't be let out of the responsibility too easy as all in all, the Monterrey Consensus is not much more than the lowest common denominator currently possible in global development policy-making. The enormous pressure that was built up to complete a consensus paper by the end of the meeting was surprising to many present. Apparently, the underlying intention was to try to get President Bush to participate in the conference. US delegation circles confirmed this afterwards. It is now expected of the US and EU, in particular, that they will go beyond the minimal consensus of Monterrey with unilateral initiatives in order to stand out as development policy front-runners. This may serve the cause, but such a duel strategy will undermine multilateralism.

One story at the end: After the decision to hold meetings no longer in the Plenary but to have informal informals without participation of stakeholders, the delegate of Santa Lucia interrupted the session as the representative of the World Bank wanted to take the floor. If the Prep Comm has decided to no longer allow stakeholders the floor that would affect the World Bank being one of the official stakeholders as well. After some tumult, the co-chairs adjourned the session as they had to ask the legal division of the UN for advice. Eventually, the problem was solved by the decision that World Bank, IMF and WTO would only be able to take the floor if asked by a delegate for technical advice. If nothing else came out of the Prep Comm, at least everybody learned something new about rules and procedures for those UN meetings.

Sources:

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Jens Martens: The (Minimal) Consensus of Monterrey, WEED

Brita Neuhold "United Nations Conference on Financing for Development - Observations and Demands from a gender perspective", WIDE Position Paper

List of 84 Nominees for the Multi-Stakeholder Round Tables on FfD

Adhemar dos Santos Mineiro, Asociacion de Economistas de AL y C/Brasil
Adib Nehme, Center for Dev. Studies, Lebanon
Alanna Hartzog, Int'l Union for Land Value Tax, US
Albert Gyan, KAIROS/African Caucus, Ghana
Aldo Caliari, Center of Concern, USA/Argentina
Alejandro Villamar, RMALC/Mexico
Alex de la Forest, CCFD/CIDSE, France
Angela Wood, Bretton Woods Project, UK
Ann Pettifor, Jubilee Debt Program, UK
Arjun K. Karki, Rural Reconstruction, Nepal
Barbara Kalima, AFRODAD*, Zimbabwe
Bisi Ogunleye, COWAN, Nigeria
Carol Barton, WICEJ, USA
Caroline Wildeman, Oxfam International, Netherlands
Cecilia Lopez Montano, Iniciativa Cartagena/REPEM, Colombia
Celita Eccher, REPEM/ Women's Popular Education Network, Uruguay
Ching Chaboo, ICFTU, Malaysia
David Ugolor, ANEEJ, Nigeria
Delphine Dijirabe, Network for African Women Economists, Chad
Demba Mousa Dembele, EcuTeam/Forum for African Alternatives, Senegal
Demma Alfaco Perez, Congregacion de la Sagrada Familia, Guatemala
Ditte Johnanne Horndrup, United Nations Association, Denmark
Edmund Cain, Carter Center, USA
Farhad Mazhar, Ubinig, Bangladesh
Fernando Carvalho, IBASE, Brazil
Francis Lorenzo, United Nations Association, Dominican Rep.
Frine Lopez, Espacio Autónomo, Mexico
Gemma Adaba, ICFTU*, Trinidad
Ghsilain Joseph, World Asso. of Former UN Interns and Fellows, Belgium
Gunhild Orstwavik, Norwegian Forum, Norway
Guy Rider, ICFTU, UK
Hans Morten Haugen, EcuTeam/Church of Norway, Norway
Helene O'Sullivan, Maryknoll Sisters, USA
Hellen Wangusa, EcuTeam/AWEPON, Uganda
Izzat Abdel Hadi, Bisan Centre for Research & Dev., Palestine
Janice Goodsen-Foerde, KULU Women in Development/WEDO, Denmark
Jef Felix, CIDSE, Belgium
Jens Martens, WEED, Germany
Jocelyn Dow, Red Thread/WEDO, Guyana
Joe Marie Griesgraber, Oxfam America, USA
John Foster, NSI-INS/Social Watch, Canada
Joost Martens, Oxfam International, UK
Joy Kennedy, EcuTeam/World Council of Churches, Canada
June Zeitlin, WEDO, USA
Kenneth Georgetti, Canadian Labor Congress, Canada
Kinga Lohman, Karat Coalition, Poland
Labid Abbawi, Iraqi Ammal Orgnaization NGO Dev, Iraq
Laura Frade, Women's Eyes on the Multilaterals, Mexico
Lena Westerlund, ICFTU/Swedish Labor Organization, Sweden
Lene Schumacher, World Fed. of United Nations Associations, Denmark
Leonor Briones, Social Watch Asia, Philippines

Litha Musyimi-Ogana, ACEGA, Kenya
Lori Heninger, American Friends Service/QUNO, USA
Louise Hilditch, Action Aid, UK
Luis Anderson, ICFTU/ORIT, Panama
Manfred Bardeleben, Friedrich Ebert Stiftung*, Germany/USA
Mariama Williams, International Gender and Trade Network, Jamaica
Marilyn Clement, United Methodist Church, USA
Marina Durano, DAWN*, Philippines
Martin Koehler, Campagna per la riforma della Banca mondiale, Italy
Martin Khor, Third World Network, Malaysia
Mary Mc Clymont, InterAction, USA
Menna Raman, CAP/Third World Network, Indonesia
Molefe Tsele, EcuTeam/S. African Council of Churches, South Africa
Motarilavao Hilda Lini, Pacific Rim Research Center, Fiji, Pacific
Obot David, Development Network of Indigenous Vol. Asso's., Uganda
Oksana Kisselyova, Liberal Studies Institute, Ukraine
Paul Tennessee, World Confederation of Labor, Guyana, Caribbean
Qazi Faruque Ahmed, Intl. Council for Social Welfare, Bangladesh
Rogate Mshana, EcuTeam/World Council of Churches, Tanzania
Roberto Bissio, Social Watch/Instituto del Tercer Mundo, Uruguay
Roberto Verrier Castro, Nat. Asso. of Economists, Cuba
Rosa Guillén, Grupo Género y Economía, Peru
Sonia Correa, DAWN/Iniciativa Cartagena, Brasil
Sophia Murphy, Inst. For Ag. and Trade Policy, USA
Svetlana Shakirova, Center for Gender Studies, Kazakhstan
Taufik Ben Abadía, ENDA, Senegal
Vicki Tauli-Corpuz, Tebtebba Foundation, Philippines
Walden Bello, Focus on the Global South, Philippines
Wily Thys, World Confederation of Labor, Belgium
Yao Graham, Third World Network Africa, Ghana
Yash Tandon, SEATINI/African Caucus, Zimbabwe
Yoko Kitasawa, Japan Network on Debt and Poverty, Japan
Zo Randriamano, GERA/Third World Network, Madagascar

* Organizational representation to be confirmed by organization.