

POTENTIAL TOPICS FOR INTERNATIONAL DISCUSSION IN FINANCING FOR DEVELOPMENT

(Bold and underlined topics were highlighted as key issues by NGOs
at the Geneva Congo Conference in June 2007)

The Monterrey Conference in 2002 was unique in bringing together leaders, ministers of finance, foreign affairs and trade of developed and developing countries, the heads of IMF, World Bank and WTO, as well as civil society and the private sector to bring new momentum toward coherent international cooperation for development. Five years later, the Consensus still remains a touchstone for international policy discussions and collective actions on financing for development. However, most parts of the Consensus have not been implemented yet.

The United Nations General Assembly has agreed to hold the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha in the second half of 2008 (resolution 61/191). The question for 2008 is: What should that conference aim to achieve? International policy makers and NGOs need to start asking themselves and each other, what are the most important issues now and in the future to focus political energy?

This question can be broken down into three related questions: a) which Monterrey achievements most need international political protection against rollback and support further implementation; b) which Monterrey-based initiatives are most realizable but need political push; and c) which new issues of concern are coming up and most deserve active lobby work toward specific solutions?

The intention in the list of issues that follows is to provide a starting point, suggesting that a selection might be made from the items listed here or additional items proposed.

1. Mobilizing domestic financial resources for development

a) Monterrey agreements that need further implementation

Advancing accountable governance, rule of law, gender equality and fiscal transparency (MC¹ 11, 15)

Promoting an appropriate role of government in market-oriented societies (MC 12)

Promoting stable and inclusive financial sectors (prudential regulation, consumer protection, *microfinance* and finance for the “missing middle” enterprises, potential role of national development banks and other financial institutions) (MC 17, 18)

Active labour market policies, improving working conditions and expanding *employment* in developing and developed countries (MC 12, 14, 16 and 64 “ILO Social Dimension of Globalization”)

Mobilization of domestic public resources through **equitable and efficient tax systems** (MC 15)

b) New medium term action on Monterrey-based initiatives

Integrating diverse planning and budget documents into a unified and comprehensive development and anti-

¹MC number = Monterrey Consensus paragraphs, available under www.un.org/esa/ffd

poverty strategy (including IMF's Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Strategies (PRS) where applicable, including gender budgeting), drawing on strong national multi-stakeholder processes

Devoting greater political attention and resources towards realizing what has come to be called "*the ILO's Decent Work Agenda*"² post-Monterrey, but was already largely embodied in Monterrey's "leading actions" (e.g., "empowering women and protecting labor rights", "macroeconomic policies aimed at...full employment", "investments in basic economic and social infrastructure, social services and social protection...", "active labor market policies..." MC 12, 14, 16, 64)

Additional ratifications of the UN Conventions against Corruption and against Transnational Organized Crime and put the treaties to work - combat corruption with legal cases (prosecute bribe givers and takers); eliminate money-laundering, repatriation of illicit funds (MC 13, 65)

c) Possible future initiatives

Promoting national guidelines and laws for financial, social and environmentally responsible lending and investing (including monitoring mechanisms and sanctions) (MC 12, 16, 17)

Considering how to implement the "*right to development*" (MC 11) and specific socio-economic rights as operational policies and activities of governments

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

a) Monterrey agreements that need further implementation

Scaling up direct investment that enhances sustainable employment and increases infrastructure (MC 21, 22)

Business to "take into account not only the economic and financial but also the developmental, social, gender and environmental implications of their undertakings (MC 23)

Private sector to develop further and "implement codes and standards"..."consistent with development objectives" (MC 25)

b) New medium term action on Monterrey-based initiatives

Increasing the options for better sharing risk in international lending to developing countries (e.g., expanding local currency borrowing, develop instruments having contingent repayments, including GDP-linked bonds sold to the private sector)

c) Possible future initiatives

Developing a global "*Charter for responsible investing*", bearing on financial, social and environmental sustainability (see also in chapter 5 "External debt")

² G8 Summit 2007 agreed to promote the decent work agenda.

3. International trade as an engine for development

a) Monterrey agreements that need further implementation

Implement the commitments made in Doha and “ensure the meaningful and full participation of developing countries, especially the least developed countries” (MC 31, 38)

Scaling up ODA that enhances sustainable employment and increases tradable sectors (improving trade infrastructure and technological development and raising marketing opportunities) MC 38)

Expanding access to regional or global markets of developing country exports of goods and services, according special and differential treatment, including duty and quota free access for least developed countries (MC 33, 34)

Scaling up assistance for developing countries to replace tax revenue losses from tariff reductions and from cessation of special trade regimes (textiles, bananas, etc) (MC 37)

b) New medium term action on Monterrey-based initiatives

Expanding access of developing countries on fair terms to imports that save and prolong lives, including pharmaceuticals

Address difficulties in the liberalization of agricultural trade, and take account of the social and political concerns embodied in agricultural policy around the world

Promote “research and development” for raising incomes and productivity of the poor (e.g. what should be patentable and what not, how to better protect indigenous technologies from foreign patenting, determining fair intellectual property rights standards in a world following highly differentiated obligations and practices, facilitating international public and foundation support of pro-poor research and development)

“Improve the relationship between the UN and the WTO for development” (MC 64)

c) Possible future initiatives

New global approach to agricultural policy that would aim to raise productivity, at the same time to provide sustainable, affordable and safe (not genetically modified) food supplies and ensure food sovereignty

4. Increasing international financial and technical cooperation for development

a) Monterrey agreements that need further implementation

Scaling up ODA is critical for the achievement of the development goals and targets of the Millennium Declaration (MC 39)

Ensuring the delivery of ODA commitments and a strengthened monitoring mechanism of these targets (MC 42)

Promote effective delivery and use of aid to maximize its poverty reductions impact (MC 40, 43)

Untie ODA from donor policies to promote their own exports of goods and services (MC 43)

b) New medium term action on Monterrey-based initiatives

Updating the definition of ODA (e.g., excluding debt cancellation and humanitarian relief (MC 51), and monitoring ODA commitments accordingly

Globalising participation in international efforts to **mobilize innovative resources** of public finance for development (e.g. air ticket fees, International Finance Facility on immunization, currency transaction tax and other innovations) (MC 44)

c) Possible future initiatives

Diversification of large official foreign exchange reserves for financing development programs in developing countries

Planning how to move from donor reinforcement of national efforts in capacity building to passing effective control over use of aid funding to recipient governments (MC 46)

Fostering international cooperation for more effective developing country tax policies (e.g., conceiving concrete steps to curtail “tax competition”, deepen international cooperation against tax evasion) (MC 64)

Mobilizing resources for **financing investment in international public goods** (bilateral, regional, global)

5. External debt

a) Monterrey agreements that need further implementation

Bringing concern for achieving the Millennium Development Goals and other agreed UN development goals into methodology for debt sustainability assessments (MC 49)

b) New medium term action on Monterrey-based initiatives

Increasing the options for better sharing risk in international lending to developing countries (e.g., expanding local currency borrowing, including bonds and multilateral resources; develop instruments having contingent repayments, including official GDP-linked bonds)

Developing a global “*Charter for Responsible Lending*”³, bearing on financial, social and environmental sustainability (see also chapter 2)

c) Possible future initiatives

Establish a comprehensive *international debt workout mechanism*, a “**fair and transparent arbitration procedure**”, to promote fair burden-sharing in sovereign debt crises and minimize moral hazard (MC 60)

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

a) Monterrey agreements that need further implementation

Enhance coherence, governance and consistency of the international monetary, financial and trading systems by bringing key country groupings and international economic institutions into working relations with

³ G8 Finance Ministers agreed on a “Charter for responsible lending” in 2007.

the world community through the UN as the central global forum on economic and social affairs (MC 52 and 63)

Enhance macroeconomic policy consistency of the world's large economies by devising more effective means for collaboration of *ad hoc groupings* of states (G8, G5, G20 etc) with the multilateral institutions (UN) that have "clearly defined and broad-based intergovernmental mandates" (MC 63)

Promoting governance reforms in the *Bretton Woods institutions* (as regards voting and support to executive directors) to enhance the effective participation of developing and transition economy countries in international policy making (MC 63)

Enhancing coherence between roles of global and new *regional or sub-regional* economic and financial initiatives (MC 64)

Supporting international financial regulatory processes based both in private and official organizations, as for accounting standards, insurance, banking, and financial markets

b) New medium term action on Monterrey-based initiatives

Addressing perceived gaps in regulatory oversight in international financial sectors (e.g., regarding hedge funds and private equity)

Moving from consultation with developing countries by developed country forums (OECD, Basel Committees, Financial Stability Forum, etc) (MC 63) to developing country participation as forum members when decisions are drafted

Fostering public-private cooperation for development and develop a monitoring system for socially and environmentally sustainable investment (e.g., building on the Equator Principles⁴)

c) Possible future initiatives

Continuing considering of a new "**global leaders forum**" with balanced geographical representation under the auspices of the **UN** to enhance coherence, governance and consistency of international monetary, financial and trading systems (proposal made in 1995, reaffirmed in 2001 and again in 2006 by an "UN panel on System-wide coherence")

Introducing consideration of the concept of a **World Tax Organization** for deepening international dialogue among national tax authorities around the world and enhancing the coherence of the activities of concerned multilateral and regional organizations (proposal made by an "UN panel chaired by Zedillo")

Staying Engaged

Establish an ongoing UN based "**Forum on Financing for Development**" involving active and ongoing engagement of Finance and Development Ministries and key multilateral institutions.

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⁴ The revised "Equator Principles" for preventing negative environmental and social impacts of large-scale projects financed by commercial banks has spread as of February 2007 to forty-five institutions responsible for over eighty-five percent of private cross-border "project finance"