Brief Summary of the 2002 Monterrey Consensus on Leading Actions Needed for Effective FfD

("The 6 Chapters")

Chapter 1: **Mobilizing Domestic Resources**

The necessary internal conditions for sustainable economic growth and poverty eradication in any country include: sound macroeconomic policies; good governance, rule of law, and respect for human rights; solid financial infrastructure; a well-functioning business sector; appropriate regulatory frameworks; an effective social safety net; and accountability in all sectors.

Where these necessary domestic conditions are weak or lacking, attention should be given to: the orderly development of capital markets and banking systems; better access to financing and credit for all sizes and types of enterprises; creating public-private partnerships; development-related investments like housing; and reinforced efforts at capacity-building, including better general and financial education.

Full commitment is given to the 2001 UN Program of Action for Least-Developed Countries and the 1994 Global Program of Action for Sustainable Development of Small Island Developing States.

Support is expressed for UN operational activities for development and global technical assistance to developing economies and economies in transition. More South-South cooperation is encouraged, too.

Chapter 2: **Mobilizing International Resources; Foreign Direct Investment; Other Private Flows**

Private international capital flows and international financial stability are vital for FfD success. Creating the right conditions for foreign direct investment is a priority-- domestically and internationally.

To attract foreign capital, a country must have a transparent, predictable, and stable investment climate. The domestic conditions discussed in Chapter 1 must strong. Contract and property rights must be protected and all businesses have to be able to operate efficiently, profitably, and with maximum development impact. Recipient countries should be prepared to specify the types of assistances they want.

Relevant regional and international institutions, plus source countries, need to increase their support for private foreign investment in priority areas. For instance, LDCs and economies in transition need assistance with new technologies, new financial instruments, economic education, funding for feasibility studies, and business contact and development services. Source countries should enhance their domestic structures so as to encourage investments in developing countries. Accurate information for risk assessment has to be available.

Inter-enterprise partnerships are encouraged. Businesses are expected to engage as reliable and consistent partners in FfD. Businesses and multilateral financial institutions should foster innovative developmental approaches. Good corporate citizenship is important and should be encouraged by the business sector. UN efforts at global business compacts are noted with approval.

Chapter 3: **International Trade as an Engine for Development**

Trade is a significant external source of financing for development. Thus, trade liberalization would help stimulate development and benefit people in all nations.

A commitment is made to implement the World Trade Organization's decisions to put the needs of developing countries at the heart of its work program. Special note is made of the need to implement the decisions of the 2001 Doha WTO Ministerial Conference. All relevant stakeholders, including the World Bank and the United Nations Conference on Trade and Development, are called upon to help developing countries join and effectively participate in the WTO.

A partial list of trade issues acknowledged as important to developing countries includes: trade barriers; trade-distorting measures (especially in agriculture and other developing country exports); tariffs; protection of intellectual property rights for traditional knowledge; abuse of anti-dumping measures; technical barriers; transfer of technology; and the interpretation and effectiveness of trade agreements.

Regional and sub-regional trade agreements will be promoted so as a way to builde a better world trading system. Predictable market access for developing country exports is needed, so all developed countries are asked to execute prior agreements for duty-free and quota –free access for those exports.

Developing economies that depend heavily on commodity exports need assistance with mitigating losses when their revenues are depressed. To that end, the effectiveness of the IMF Compensatory Financing Facility must be monitored. o, growers must be empowered to insure themselves against risks and export diversification programs must be enhanced.

Chapter 4: **Increasing International Financial and Technical Cooperation**

Official development assistance (ODA) is the most important source of development financing for countries that have a hard time attracting direct private foreign investments. In the poorest countries, ODA is essential as a complement to domestic resource mobilization in support of the neediest.

ODA is most effective when there are good source/recipient government partnerships. There must be responsible leadership, good governance, and sound policies. The commitments of the MDGs and other international development plans will be fully supported because they can help donor/recipient partnerships set priorities.

There must be a substantial increase in ODA if development objectives are to be met. Development policies and strategies must be improved to enhance aid effectiveness. Developed countries must meet their international ODA agreements (0.7% of GNP to developing countries and 0.15% to 0.20% of GNP to LDCs). It noted that some countries have met or exceeded their commitments. Recipient countries must strive to make aid more effective. Better ways to measure results are needed.

Multilateral and bilateral financial and development institutions must work with donors and recipients to make ODA more effective. They must make their disbursement systems less expensive, less burdened with restrictions, more flexible, and more responsive to recipients' own objectives. Financial institutions should support the OECD initiatives in these areas (e.g. untying aid initiatives). They should work with recipient countries to enhance economic and financial management. Triangular cooperation and South-South cooperation should be promoted. Regional and sub-regional banks and financial institutions can provide expertise and support and should be strengthened.

The New Partnership for Africa's Development put forth a comprehensive strategy that merits support. Other forums are also holding talks on new developments strategies and those are also encouraged and appreciated.

There is value in exploring innovative sources of financing that do not unduly burden developing countries. The Secretary General has requested an analysis of possible sources and that report should be studied. Of particular interest is the proposal to use special drawing rights allocations for development purposes.

Long-term resources of the international financial system must be sufficient to allow them to adequately support sustained economic and social development, technical assistance for capacity-building, and social and environmental protection schemes. The institutions' overall lending effectiveness will be ensured.

Chapter 5: **External Debt**

Resources for public and private investment can be best mobilized when debt financing is sustainable. Money used to service debt is money that cannot be used to feed people, for instance. Creditors and debtors must share responsibility for preventing and resolving unsustainable debt situations.

Debt relief should be pursued vigorously. It is important to re-establish financial viability for indebted countries quickly. All initiatives in this regard are welcome.

The Heavily Indebted Poor Countries Initiative is a promising way to strengthen the economies of such nations. Additional resources should be directed toward it by Creditors, while Debtors take all measures to become eligible for the program. Eligibility criteria must be flexible and take global conditions into account. Debt relief should not add burdens to other developing countries. The IMF and World Bank need to cooperate in unsustainable debt relief efforts.

There is a need for a set of clear principles for the management and resolution of crises that provide for fair burden-sharing between public and private sectors and debtors, creditors and investors.

ODA must be kept distinct from debt relief.

Innovative methods are needed to comprehensively address debt problems. Middle income countries, economies in transition, and least developed countries should all be part of debt relief discussions.

Chapter 6: **Addressing Systemic Issues**

There is an urgent need to enhance coherence, governance, and consistency of the international monetary, financial, and trading systems. It is very important to continue improving global economic governance and strengthening the UN's leadership role in development. Meeting the MDGs must be a priority. As a complement to international efforts, countries should also work to improve their relevant national systems.

Important efforts are underway to reform the international financial architecture. These efforts have to be more transparent and developing countries must be more involved. A priority for reform is enhancing financing for development and poverty eradication. Sound domestic financial sectors are vital to the international system.

Global economic stability and reduced exchange rate volatility depend heavily on the leading industrialized countries coordinating their macroeconomic policies.

The IMF and other multilateral financial institutions must continue giving high priority to surveillance of the activities of all economies. They must work to identify and prevent crises that threaten the stability of the international financial system. The IMF should work closely with regional institutions and commissions.

It is important that financial institutions providing financial support and policy advice to developing countries work with the sound policies of the developing countries themselves. The social adjustment costs and impact of policies on the poor and vulnerable must be minimized.

Developing countries must be given effective and equitable roles in the setting of financial codes and standards. Implementation should then be progressive and voluntary so as to reduce vulnerability to financial crises. Risk assessments of developing countries made by private companies must use clear, objective, and strict parameters, which can be facilitated by high-quality data and analysis.

The IMF must have a suitable array of financial resources and instruments to quickly address a financial crisis in a developing country or economy in transition. This is because of the risk of contagion. The need for special drawing rights is mentioned, as well as stabilizing regional and sub-regional reserve and using swap arrangements.

All relevant stakeholders are invited to consider debt workout mechanisms that promote fair burden-sharing and minimize moral hazards. Debtors and creditors should come together in an appropriate forum to figure out reasonable ways to restructure unsustainable debt. Those mechanisms should not preclude emergency financing, though.

Good governance is vital for economic growth. In order for economic governance to be legitimate and inclusive, and to reflect the interdependence of countries, it needs to broaden the base for decision-making and filling organizational gaps. The UN and other relevant multilateral institutions must be strengthened in those ways.

More effort and training is needed to help developing countries participate fully in international economic forums. Developing countries must be able to effectively participate in decision-making and norm-setting.

There are specific actions that the international financial and trade institutions can take to bring developing countries and countries with economies in transition into decision-making processes. For instance, the IMF and World Bank are asked to enhance international dialogue to better address development issues and concerns of poorer nations (i.e. actually ask those countries what they need instead of telling them!) The WTO is asked to be more objective, transparent, and fair in the way it admits members. The Bank for International Settlements and other multilateral groups are asked to broaden their consultations and improve their outreach.

The Monterrey Consensus envisions a large role for the UN in international economic governance. It recommends that the UN's relationships with the WTO and ILO be strengthened. The UN is seen as having the capacity to provide technical assistance to countries needing it. Moreover, the UN can help address the social dimensions of globalization; help programs for sustainable growth and poverty eradication; and mainstream gender perspectives in development policy-making.

International tax cooperation is important to consider when making development policies. Regional commissions and development banks should be consulted.

A UN treaty against all forms of corruption must be negotiated. Issues addressed therein must include repatriation of funds illicitly acquired and money laundering. Also, all countries should ratify the UN Convention Against Transnational Organized Crime and the International Convention for the Suppression of Financing of Terrorism.

The Consensus gives high priority to “reinvigorating” the UN as fundamental to the promotion of international cooperation for development and to a global economic system that works for all.

The UN General Assembly must be enabled to play its role as the chief deliberative, policy-making, and representative body of the UN. The Economic and Social Council must be strengthened so that it perform the duties given to it in the United Nations Charter.