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Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus

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Agenda item 8 (a)
General debate on financing for development: General exchange of views on reviewing the implementation of the Monterrey Consensus, including new challenges and emerging issues

Summary of plenary meetings

1. The follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus was held in Doha, Qatar, from 29 November to 2 December 2008. The Conference was chaired by the Emir of Qatar and included seven plenary meetings. Forty Heads of State or Government, 9 Deputy Heads of State or Government, 50 ministers and 17 vice-ministers for foreign affairs, finance, development cooperation and trade and other high-level officials from 133 Governments made statements to the plenary. The President of the General Assembly, the Secretary-General of the United Nations, the Director-General of the World Trade Organization and the Administrator of the United Nations Development Programme made statements at the opening. In addition, the deputy heads of the World Bank and the International Monetary Fund (IMF), as well as heads of other institutional stakeholders, also made statements. Spokespersons for the Global Forum of Civil Society, the International Business Forum and the Parliamentary Hearing, which preceded the Conference, also made a statement.

2. In their statements, Member States took stock of the progress made in the implementation of the Monterrey Consensus, identified obstacles and constraints encountered, and put forward ideas and proposals to overcome those difficulties. Many statements focused on the consequences of the global financial crisis for development and the need for bold and urgent measures to address them, including through strengthening the financial oversight and global regulatory frameworks and building a reliable financial system. Much attention was also devoted to the food and energy crises and to the untapped potential of innovative sources of finance. Among other new challenges and emerging issues, the financial implications of climate change adaptation and mitigation and the need to strengthen the financing for development follow-up process featured prominently on the agenda.

3. Many speakers emphasized that the Doha Conference was being held at a crucial moment. All aspects of sustainable development, including economic, social and environmental dimensions, were essential to ensure the well-being of all people and the health of every society. Failure to develop would lead to economic

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insecurity and social unrest. Although each State was responsible for its own development, joint efforts by all members of the international community were necessary to ensure sustained economic growth and development. Such efforts — a key expression of global solidarity — were important because development was an umbrella for peace. It was also argued that development was intended to improve the quality of life of individuals, communities and homelands in all spheres — intellectual, economic and social — and to pursue and institutionalize the equitable and democratic rule of law. Thus, apart from making profits as a driving force of economic activity, the role of the State should be strengthened, since current circumstances indicated the indispensability of a proactive State in key areas.

4. Until recently, global economic growth had been comparatively strong, but the current financial crisis, with its epicentre in the developed world, had reversed that trend. The crisis had also compounded food insecurity, the persistence of extreme poverty and the threats posed by climate change. In the long term, climate change posed the most important challenge to mankind. The duration of the recession would be counted in months, while climate change policy decisions would define the shape of the world for decades. To confront those challenges, the following three pillars were deemed necessary: (a) enhanced international cooperation; (b) sustainability; and (c) inclusive governance. Strengthened cooperation was necessary because the sustainability of socio-economic achievements relied on a shared responsibility between developing and developed countries. Also, since all countries must be involved in the search and implementation of global solutions, the United Nations should play an important role in coping with those crises and threats. If not addressed properly, the multiple economic crises could lead to a human crisis. It was crucial to build a bridge between the whole international community, represented by the United Nations, and smaller groups, such as the Group of 20. In that sense, the Monterrey Consensus had been a beacon.

5. According to many speakers, financial speculation had brought the world close to catastrophe. The financial crisis was undermining the real economy. The international community should continue to strengthen macroeconomic policy coordination, expand financial information-sharing and deepen cooperation in financial oversight to curb the spread of the financial crisis. Measures should be bold and urgent and the role of public investment was crucial. The crisis reflected the fragility of weak regulatory systems and the need to build a reliable financial system. Indeed, the political opportunity for change generated by the crisis should not be wasted. Reform of the global financial system and institutions should enhance surveillance capacities. In addition, counter-cyclical finance was required to cushion the impact of the crisis and lead to recovery. Protectionist policies would only serve to compound the problem. Meeting the Monterrey pledges had become more imperative as a result of the crisis. Indeed, multilateral solutions were necessary to address the global economic challenge posed by the downturn. The United Nations system and the Bretton Woods institutions must be fully involved and contribute to solving the global financial crisis; in particular, the United Nations should lead efforts to alleviate the consequences of the current crisis. The reform of the global financial system, as stated at the recent Group of 20 summit held in Washington, D.C., was welcome. It was important to establish a monitoring mechanism that could inform and alert the international community about crucial events taking place, especially the potential for crises.

6. It was pointed out that multilateral responses were necessary to deal with both short-term and long-term economic problems. Efforts by developed countries to address the crisis would not be successful unless the views of developing countries were taken into account. The responses to the crisis to date had shown clearly that developing countries were a low-profile, marginal group in decision-making. Some countries still wanted to keep the consideration of systemic issues outside the United Nations. Yet, profound changes must be made in the governance of the global economic and financial system and in the values underpinning it. It was clear that the Group of 8 structure had become obsolete and was not adequate to face the crisis. The current global crisis could not be solved without the involvement of such countries as Brazil, China, India and South Africa. Also, as called for by the Monterrey Consensus, greater collaboration between the United Nations, the Bretton Woods institutions and the World Trade Organization was important for sustained economic growth and development. Financing for development would remain an illusion if developed countries showed no political will to honour their commitments.

7. It was argued that the crisis had shown that the global financial architecture needed urgent reform. The new international financial architecture must be transparent and all-inclusive. The Bretton Woods institutions needed to be deeply reformed. Enhancing the voice and participation of developing countries in the World Bank was critical. There was a need for Member States to consider holding a major United Nations international conference to review the international financial architecture and global economic governance structures.

8. It was recalled that the World Trade Organization negotiations under the Doha round had stalled. Rapid conclusion of those negotiations was critical for maintaining and nurturing the Monterrey Consensus. Trade could be an engine for development. Negotiations must be resumed on the Doha Development Agenda in a spirit of solidarity. All countries should strengthen their commitment to the principle of special and differential treatment and to give particular attention to the needs of poorer countries. There was an urgent need to eliminate trade-distorting subsidies in rich countries. Key political decisions had to be taken in agriculture and cotton subsidies, which were very harmful to small farmers, particularly in Africa and the least developed countries. The gains accruing from the elimination of trade-distorting subsidies and other barriers would be far greater than those derived from financial assistance. Aid-for-Trade was also very important. Open markets and a rule-based trading system, built on the World Trade Organization, were crucial bulwarks against protectionism and beggar-thy-neighbour policies.

9. It was proposed that the Doha meeting provide a message of hope in that trying time by strengthening the global partnership for development within the framework of financing for development. While higher official development assistance (ODA) levels and enhanced aid effectiveness were important, issues of ODA funding and spending were about partnership for development. African development was an absolute priority. Indeed, a new “Marshall Plan” for Africa was necessary. The least developed countries, as the countries most vulnerable to crises, should be financially supported and granted duty-free and quota-free market access for all their exports. Grants were a very important source of development finance for the poorest countries. The Doha Conference should be followed by enhanced support to land-locked developing countries, especially in transport and related issues. North-South cooperation should adhere to the Paris Declaration on Aid

Effectiveness and the Accra Accord. Aid should be more predictable and help developing countries to move onto a path of self-reliant development. Often, excessive conditionality became a barrier to achieving desired outcomes. It was thus important to streamline conditions in aid programmes. Each country was responsible for the design of national policy and aid should complement domestic efforts, in particular domestic resource mobilization.

10. It was critical that ODA commitments not be curtailed at a time when partners needed support more than ever. Developed countries should strive to achieve the ODA target of 0.7 per cent of gross national income (GNI). Developing countries must be assured that development financing would keep flowing and that the current crisis would not thus result in an aid crisis. The United Nations should play a leading role in monitoring aid flows, in cooperation with the Organization for Economic Cooperation and Development/Development Assistance Committee. Additional emergency financing was needed from IMF, the World Bank and other sources. With respect to achieving the Millennium Development Goals, an increase in grants and long-term lending should be part of the response. The funds provided by the European Union accounted for 60 per cent of ODA worldwide. The European Union had pledged to deliver on the collective targets of 0.56 per cent of GNI by 2010 and 0.70 in 2015. While remittances should not become a substitute for ODA, it was important to explore how remittances could be utilized for development purposes. It was also important to reduce military spending and divert part of those resources to a substantial increase in development spending.

11. It was also essential to find new and additional sources of financing for development, particularly at a time of budget tightening. Expanding North-South initiatives, such as UNITAID and the Action against Hunger and Poverty initiative, was therefore critical. The Leading Group on Solidarity Levies to Fund Development had undertaken to identify new innovative sources of financing for the period 2009-2015. While global funds had increased development finance, the amounts made available were not enough. For that reason, it was important to seek for new instruments and mechanisms to expand innovative financing, as well as to enhance domestic efforts.

12. There was a general view that private sector development was important for a dynamic economy and sustained growth. At the same time, making social responsibility mandatory for business was essential to enhance the contribution of the private sector to development. An enabling environment was a critical element for both fostering the development of the domestic private sector and attracting foreign investment. A major challenge for Africa was to attract foreign direct investment beyond the extractive and oil sectors. Private investment flows would greatly expand development resources. Thus, foreign direct investment could be a vital tool for growth and development.

13. It was suggested that the current crisis was an opportunity to “green” the Earth’s economy. Efforts in the area of the environment should be integrated with efforts in the area of development. Fighting climate change must be part of the solution to the current economic downturn. Investment in “green” technologies would yield payoffs in the long term, leading to more sustainable growth. It was recognized that the amount of financial resources needed to combat climate change could be generated from the carbon market. Also, it was important to strengthen financial mechanisms to combat climate change. For the small island developing

States, climate change was an imminent security problem. Thus, the Doha Conference should urgently address the financing needs of those countries. New proposals and ideas on innovative sources of finance for development had been put forward, including in the areas of climate change and food security, and they should be explored further.

14. Several speakers stated that resources released to date through debt relief had been inadequate to permit debt-distressed developing countries attain the internationally agreed development goals, including the Millennium Development Goals. There was a need for fair and effective international mechanisms for debt relief and to overcome illegitimate or odious debt, which imposed unfair claims on poor countries' resources. Debt relief programmes must therefore be stepped up so that a greater number of poorer nations could benefit. Debt relief efforts should benefit all debt-distressed developing countries. It was important to apply the Heavily Indebted Poor Countries (HIPC) Initiative to a wider range of countries. Also, it remained necessary to increase support for capacity-building in debt management, particularly in heavily indebted developing countries. Moreover, for developing countries in general, it was also crucial to consider independent debt arbitration mechanisms and an international convention on debt emergencies.

15. Several participants stressed that it was fundamental to invest in human capital, with a particular emphasis on education, delivery of social services and adequate social safety nets. Infrastructure and technology development were also key to economic transformation and diversification. Gender equality and the empowerment of women were essential for economic growth, poverty reduction, environmental sustainability and development effectiveness. It was important to mainstream gender into the design and implementation of development policies, including financing for development policies.

16. It was observed that developing countries had been severely impacted by the detrimental effects of illegal financial flows on their economy. Tax evasion, money-laundering and transfer of assets that had been obtained illegally adversely affected their development prospects. The fight against tax evasion and the transfer of illegal funds had to be a priority in development cooperation. Appropriate measures for the restitution of stolen or fraudulently acquired assets to their rightful owners should be undertaken by the international community. Also, the United Nations Committee of Experts on International Cooperation in Tax Matters should soon be upgraded into an intergovernmental body to enhance its impact and effectiveness.

17. There was a general agreement that the Monterrey Consensus was a far-reaching document that had set principles and policies and had identified actions in key domestic and international areas to foster worldwide development. An effective follow-up to the Monterrey and Doha outcomes was essential. The United Nations should adopt a more effective intergovernmental mechanism that would warrant a more substantive review process, while maintaining its inclusive and multi-stakeholder approach.