The Road to DOHA
A newsletter for civil society in the lead up to the 2008 FfD conference

UN General Assembly convenes High-level Dialogue on Financing for Development

Dialogue widely seen as a crucial stepping stone towards the 2008 Review Conference on Financing for Development

The General Assembly held its third High-level Dialogue on Financing for Development from 23 to 25 October 2007 at UN Headquarters in New York. The Dialogue consisted of a series of plenary and informal meetings on the overall theme "The Monterrey Consensus: status of implementation and tasks ahead".

The President of the General Assembly opened the meeting. At the opening statements were made by the Secretary-General and the President of the Economic and Social Council. Over the course of three days, one Head of Government, 20 Ministers, 15 Vice-Ministers and high-level officials from more than 100 Governments made statements at the plenary meetings. Senior managers of major institutional stakeholders (the World Bank, IMF, WTO, UNCTAD and UNDP) also spoke.

On the second day, six multi-stakeholder round tables on the main thematic areas of the Monterrey Consensus and the informal dialogue of the whole provided for direct interaction between Governments, key institutional stakeholders, including entities of the UN system, as well as civil society and the business sector.

During the debate, many participants expressed the view that a sustained expansion of the world economy was by no means assured as risks in financial markets had increased measurably. Tackling the uncertainty of financial markets and the danger posed by global imbalances was seen as the key challenge to be addressed in Doha. There was also a widespread concern over growing income disparities between and within countries.

On the domestic front, according to several speakers, there was a crucial need to increase tax revenue through effective tax systems. This could reduce disparities but also assist in the public financing of basic infrastructure. Good governance, an effective and transparent regulatory environment and the rule of law were also stressed as key factors.

Many participants welcomed the increase of foreign direct investment in developing countries. Yet, only a few developing countries absorbed the bulk of such flows. The major challenge was to implement effective and development-friendly measures that would enable lower-income, more vulnerable countries, to obtain a more a significant flow of private resources.

The critical importance of making decisive progress in the multilateral trade negotiations was also stressed. To that end, it was essential to fully implement the Doha Development Agenda and to finalize the negotiations soon.

Regarding ODA, participants reiterated the need to achieve the 0.7 per cent target, which was critical for achieving the Millennium Development Goals (MDGs). A decrease in aid in 2006 was the reason for concern. Also, in depth consideration must be given to innovative sources of finance.

The debt landscape, in the view of several participants, had improved. But the debt overhang persisted in a significant number of developing countries, particularly the LDCs. Several proposals were made for debt restructuring and arbitration mechanisms.

Many participants brought up the issue of enhancing the voice and effective participation of developing countries in international economic decision-making. Progress had so far been meager and much remained to be done. Enhanced tools for crisis prevention and resolution and effective emergency liquidity instruments were also proposed.

Several new issues emerged during the Dialogue. Many speakers referred to the funding needs for climate change mitigation and adaptation, international support for South-South cooperation and addressing the problems of middle-income countries. Several participants expressed a wish for enhancement of international cooperation in tax matters (including combating tax evasion and other illegal activities) and strengthening of FfD follow-up mechanisms.

In his concluding remarks, the President of the General Assembly informed participants that the General Assembly would shortly begin consultations on a procedural resolution to set out the modalities for the Follow-up Conference on Financing for Development in Doha, 2008. In this regard, he announced that the process would be taken forward by the facilitators - Ambassador Abdelaziz of Egypt and Ambassador Løvald of Norway.

Official summary by the President will be posted on the FfD website at www.un.org/esa/ffd.

Interview with H.E. Dr. Srgjan Kerim, President of the sixty-second session of the United Nations General Assembly

The President of the General Assembly chaired the third High-level Dialogue on Financing for Development (New York,

UN Headquarters, 23-25 October 2007). FFDO and NGLS asked him the following questions on the outcome of the meeting.

The High-level Dialogue is the major intergovernmental focal point to review the status of implementation of the Monterrey Consensus. Where do we stand five years after Monterrey?

The overall message of the Dialogue was that we have reached a critical juncture in the Financing for Development process. Despite the promises made, progress has been slower than expected. While there have been some successes, many of the development finance objectives set in Monterrey in 2002 have not yet been met. Challenges persist in all six thematic areas of the Monterrey Consensus. Social expenditures need to increase, where poverty is still on the rise, especially in Africa. More needs to be done to encourage investment in low-income countries and major challenges remain in realizing the Doha Development round of multilateral trade negotiations.

Many delegations reiterated the need to realize the 0.7 per cent target of ODA in order to achieve the Millennium Development Goals. At the same time, we have to improve aid effectiveness and explore innovative sources of development finance. Putting low-income countries on the path to debt sustainability and poverty reduction is still a challenge even after the recent multilateral debt relief initiative. Finally, we need to do more to increase the voice and participation of developing countries. The legitimacy, credibility and effectiveness of major international financial institutions depend on it.

What do you see as the new challenges and emerging issues in implementing the Monterrey agenda?

Many delegates stressed that adapting to climate change was the emerging issue that needed to be linked to the Financing for Development process. Other emerging issues included the role of South-South and triangular development cooperation, international cooperation in tax matters and strengthening the role of the UN system in international economic coordination and decision-making. But while incorporating these new aspects is important – and the approach we have is flexible enough to do that, the key challenge continues to be the sustaining of political will for the process. We talk about not just keeping the commitment but also re-commitment because we need to have the newly elected and appointed leaders – whether they are representing member states, international institutions or civil society groups – to also come on board. In that respect we are always facing a new challenge and high-level events are designed for such pledges and re-commitment.

How will the Dialogue contribute to the Financing for Development follow-up process, in particular, the preparation of the Review Conference on Financing for Development in Doha, Qatar in the second half of 2008?

The Dialogue has helped generate important momentum to promote the Financing for Development agenda at the national, regional and global levels. The event gave all of us input as regards both format and substance for Doha. I will issue a summary of the event, which will then serve as a substantive input into the General Assembly process to finalize the modalities of the Follow-up Conference on Financing for Development in Doha, 2008.

What are the next steps to be taken by Member States on the road to Doha?

In the next few weeks, Member States have to clarify some procedural issues in a resolution to set out the modalities for the Review Conference, such as the date and the type of outcome. Once the modalities of the Doha Conference are agreed, we can move to substantive discussions on the six chapters of the Monterrey Consensus and other important matters in the early months of 2008.

How do you view the role of civil society in the FfD process and how can NGOs engage in the preparatory process and the Review Conference itself?

Non-governmental organizations from both the North and the South have been instrumental to the Financing for Development process. Since Monterrey, we have all come to realize that a global partnership for development cannot be achieved without the full and constructive engagement of civil society at all levels. The hearings of civil society on the eve of the third High-level Dialogue on Financing for Development, as well as their input during the Dialogue highlighted the important contribution of civil society organizations to the FfD process. I am convinced that they will continue to play a crucial role in the run-up to the Review Conference and at the Conference itself.

The Office of the President of the General Assembly is holding a Briefing for NGOs with the President of the General Assembly on the agenda of work of the 62nd Session of General Assembly, including an update on the work of the Main Committees of the General Assembly, on Friday, 9 November 2007, from 10 a.m. to 1 p.m. in Conference Room 2.

Civil society representatives share views on development finance with Member States

The informal hearings of civil society on financing for development were chaired by H. E. Dr. Srgjan Kerim, President of the sixty-second session of the General Assembly, and H.E. Mr. Johan Ludvik Løvald, Permanent Representative of Norway. The event was moderated by Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs (DESA), and Mr. Oscar de Rojas, Director, Financing for Development Office, DESA. The speakers were Ms. Rosario Romero, Program Coordinator for Social Development, Forum Solidaridad, Perú; Ms. Celine Tan, Senior Researcher, Third World Network, Malaysia; Mr. Vitalice Meja, Programme Director, AFRODAD, Zimbabwe; Mr. Rodney Schmidt, Principal Researcher, North-South Institute, Canada; and Ms. Hellen Wangusa, Anglican Observer to the United Nations.

Ms. Rosario Romero presented on "The role of civil society in mobilizing domestic resources for development." She underscored that domestic resources encompass human, material and cultural factors that could not be converted into commodities or traded in the market place. To strengthen the potential of civil society, the panelist highlighted the importance of a progressive and development-friendly fiscal policy. Ms. Romero also maintained that further decentralization of state power was needed to empower citizens and communities to help set the right spending priorities.

Mr. Rodney Schmidt focused his presentation on the proposed currency transaction tax (CTT). He stated that the CTT was one of the new mechanisms being considered by many governments, international institutions and others, to raise large amounts of independent, global and stable revenues. The speaker stressed that, among the possible new sources of finance for development, the CTT was the most immediately practical and effective one since it was easy and safe to implement, and would raise at least $33 billion every year at a level of 0.005 per cent.

Mr. Vitalice Meja presented on "Challenges of the current aid architecture: Addressing the development needs of Africa". He underscored that Official Development Assistance (ODA) was essential to redress the financial gap that had arisen from the development needs of Africa. Ideally, ODA could act as a catalyst and play a complimentary role in the implementation of the national development strategies. Mr. Veja emphasized the need to harmonize the delivery of aid mechanisms. The current aid architecture was also weak in addressing the needs of post conflict countries with enormous social, economic and infrastructural problems.

Ms. Celine Tan spoke on "The finance and trade nexus: systemic challenges". She expressed the view that five years after the International Conference on Financing for Development, there remained a lack of focus on development objectives within the trade and financial systems, which had served in many ways to exacerbate rather than redress the economic polarization resulting from the uneven process of economic globalization. The speaker argued that the design of the multilateral economic governance system should be based on greater coherence between the trade and financial regimes and better balance of obligations between developed and developing countries cognisant of the different developmental stages of each country.

Ms. Hellen Wangusa presented on "External debt and financing for development." The speaker recommended to base debt sustainability analysis on human development and resources needed to achieve the MDGs. She also proposed to develop sustainability criteria for debt management on a case-to-case basis, with full engagement of borrower governments, civil society organizations and subject to public scrutiny. Further recommendations included the establishment of an effective Independent Debt Management Financial Analysis System Programme; stable resource flows to finance the enhanced HIPC initiative; the separation of debt relief from ODA; and additional resources for woman's empowerment and gender equality. Finally, the panelist called for canceling remaining debt in 2007 guided by the Jubilee principle.

During the discussion, participants called for the establishment of a sovereign debt workout mechanism that would involve all creditors and would provide for fair burden-sharing between the public and private sectors and among debtors, creditors and investors. Several participants stressed the need for greater South-South cooperation and called on the UN to play a supportive role in this regard. It was also emphasized that the Review Conference in Doha in 2008 would be most effective if it took place at the Summit level. A view was expressed that, the process leading up to the Doha Conference should include a Prepcom, with the participation of civil society, and that the conference should result in a negotiated outcome document that would take into account new challenges and emerging issues.

Informal summary of the hearings of civil society will be posted on the FfD website at www.un.org/esa/ffd.

Business sector hearings highlight the role of the private sector in financing for development

In preparation of the High-level Dialogue on Financing for Development, the General Assembly held informal hearings of the business sector on 11 October 2007 at UN Headquarters in New York. In his opening remarks, the Chairperson of the meeting, H.E. Mr. Maged A. Abdelaziz (Egypt), Vice President of the 62nd session of the General Assembly, pointed out that one of the unique aspects of the financing for development process had been the deep-set and structured engagement between governments, multilateral organizations and the business sector. The panel discussion was moderated by Mr. Oscar de Rojas, Director, Financing for Development Office, Department of Economic and Social Affairs, United Nations. The panelists were Mr. Parag Saxena, Co-founder and CEO, Vedanta Capital; Mr. John Sullivan, Executive Director, Center for International Private Enterprise; Mr. Aram Zamgochian, Project Director, Middle East and Africa Affairs, US Chamber of Commerce; and Mr. Raul Calvet, President, Calvet and Associates.

Mr. Saxena's presentation pointed out that venture capital was an important driver of employment and growth in the United States and Europe; it could, under the right conditions, also be encouraged in developing countries. Mr. Saxena argued that developing countries should strive to create a favorable environment for venture capital to flourish through measures such as the provision of appropriate tax incentives, investor education programs, investment in research and development, and the setting up of enterprise zones.

Mr. Zamgochian's presentation was titled "International Investment Criteria in Emerging Markets". He discussed the important factors that made a country attractive to international investors and provided examples of how the US Chamber of Commerce had worked to strengthen the enterprise sector in Thailand and Lebanon. Mr. Zamgochain set out a number of criteria used by international investors, such as the size/purchasing power of the internal market in a country, the access to this market, availability and quality of labor force and raw materials, regulatory and tax environment, protection of property rights, infrastructure support, political and currency risk, and predictable macroeconomic management.

Mr. Sullivan's presentation was titled "Designing a reform agenda for developing democratic governance and market institutions". This, in particular, referred to reforms to promote a sound business climate coupled with a democratic system of government. According to Mr. Sullivan, the key steps in designing a reform program included identifying the initial conditions in the investment climate of a country and the main reforms required; mobilizing business associations, think tanks and other civil society groups to collectively advocate for those reforms; generating specific policy recommendations and setting out achievable goals; and providing recognition to government officials, political leaders and business people who acted upon the reform agenda.

Mr. Calvet's presentation was titled "Changing government and private sector relations". He argued that government policy in many countries had focused on improving conditions for larger companies or micro-enterprises, while devoting insufficient attention to the needs of Small and Medium Enterprises (SMEs) as important engines of employment creation. In order to understand and act on the needs of the private sector, including SMEs, Mr. Calvet asserted that governments needed to have systems and tools that would enable them to be effective in their outreach to these entities. In particular, he advocated the use of interactive communications systems that identified impediments to investments, facilitated dialogue between public and private sectors, and highlighted best practices and success stories.

During the interactive discussion, some related issues were highlighted, such as climate change and the possible measures that the private sector could undertake to address it. Several speakers pointed out how cross-country cooperation could assist in capital market development and in the building of critical infrastructure. Some participants also highlighted the need to ensure that FDI led to technology transfer and modernization. Regarding the role of diasporas in development, the panelists agreed that the levels of expatriate investment, like other foreign investment, were influenced by the quality of the business environment in the recipient country.

Informal summary of the hearings of the business sector will be posted on the FfD website at www.un.org/esa/ffd.

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