



The Road to

DOHA

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

The Road to Doha

The "[Roadmap to Doha](#)", which is available on the FfD website, lists all meetings to be held in preparation of the Doha Review Conference. Key events at UN Headquarters in New York include:

- (1) Review Session on Chapter V, "External Debt" (10 - 11 [morning] March 2008)
- (2) Review Session on Chapter VI, "Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial, and trading systems in support of development" (11[afternoon] - 12 March 2008)
- (3) Special high-level meeting of the Economic and Social Council with BWIs, WTO and UNCTAD (14 April 2008)
- (4) Review Session on Chapter IV, "Increasing international financial and technical cooperation for development" (15 - 16 April 2008)
- (5) Review Session on Chapter III, "International trade as an engine for development" (19 - 20 May 2008)
- (6) Hearings with representatives of civil society and the business sector on financing for development (18 June 2008)



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Preparatory process for Doha Review Conference well underway and gaining momentum

Review Session on Chapter I of the Monterrey Consensus, "Mobilizing domestic financial resources for development"

The preparatory process of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha, Qatar, 29 November - 2 December 2008) was launched on 14 February 2008 with a Review Session on Chapter I of the Monterrey Consensus, followed by a Review Session on Chapter II on 15 February 2008. The first Review Session focused on the role of government, as well as on macroeconomic and social policies in mobilizing domestic resources for development. *(continued on page 3)*

Review Session on Chapter II, "Mobilizing international resources for development: foreign direct investment and other private flows"

On 15 February 2008, the General Assembly convened a Review Session on Chapter II of the Monterrey Consensus. [Five panelists made presentations](#) prior to the interactive dialogue with all stakeholders. Participants exchanged views on the quantity and quality of international private resource flows to developing countries and discussed policies to enhance the development impact of those flows. *(continued on page 4)*

Spring Meeting of ECOSOC on Financing for Development will discuss new challenges and emerging issues

The Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development will be held on Monday, 14 April 2008, at United Nations Headquarters in New York. The overall theme of the meeting will be "*Coherence, coordination and cooperation in the context of the Monterrey Consensus, including new challenges and emerging issues*".

The meeting will substantively cover the following sub-themes:

- (1) *New initiatives on financing for development;*
- (2) *Supporting development efforts and enhancing the role of middle-income countries, including in the area of trade;*
- (3) *Supporting development efforts of the least developed countries, including through trade capacity-building;*
- (4) *Building and sustaining solid financial markets: challenges for international cooperation;*
- (5) *Financing of climate change mitigation and adaptation.*

More information will be posted on the [FfD website](#). All non-governmental organizations that are in consultative status with the Economic and Social Council and all non-governmental organizations accredited to the FfD process are invited to attend and can register here: <http://www.un-ngls.org/ffd/en/>

Debt in Doha: What Should Be on the Agenda?

By Neil Watkins*



As governments prepare to gather in Doha later this year to evaluate progress in implementing the Monterrey Consensus, one of the critical elements up for discussion is the issue of external debt and its role in financing for development.

What has been the story on external debt since the Monterrey Conference? While high-profile debt relief initiatives such as the Multilateral Development Relief Initiative (MDRI) have made a real impact in eligible countries, saving almost an additional \$1 billion annually in debt service repayments, the reality is that the debt crisis continues unabated for most developing countries. Developing country debt today stands at US\$2.85 trillion, up from US\$2.24 trillion in 2000, and US\$1.3 trillion in 1990. Indeed, even *low income* countries continue to pay out \$100 million *each day* to creditors, diverting large sums of scarce government revenue to external debt service and away from investments needed to reach the Millennium Development Goals (MDGs).

With the international community at risk of failing to meet the 2015 MDG deadline, leaders in Doha should support a strong call for expanded debt cancellation to all countries that need relief to meet the MDGs. Moreover, they should address the fact that debt cancellation continues to be undermined by onerous forms of conditionality since countries must implement hundreds of conditions as part of the IMF/World Bank HIPC Initiative. Tight fiscal and monetary policies required by the IMF as a condition of debt relief, have in some cases, eviscerated the gains of debt relief.

There have been some notable new dynamics in the profile of external debt and the global conversation surrounding it that should be considered in Doha. Increased lending by new lenders such as China and India and aggressive litigation by so-called “vulture funds” have triggered real concerns, even in countries that have benefited from debt cancellation under HIPC or the MDRI. The international community’s current response to this problem – the

IMF/World Bank Debt Sustainability Framework – has failed to solve these problems. Only a strong, binding international system for responsible lending and sovereign debt restructuring which holds creditors and debtors responsible can ensure debt sustainability in the future. As we look forward to guidelines around new lending, it is important to consider both *quantity* and *quality* of financing. In the past several years, the international community has increasingly issued calls for more “responsible lending” at such opportunities as G-8 summits, in the G-20, and in the United Nations General Assembly. These discussions have tended to focus on voluntary codes of conduct for new lending. Eurodad’s proposed Charter on Responsible Financing, on the other hand, outlines the essential components of a responsible loan and illustrates the call of civil society for a stronger approach that gets at the root of the problem.

Finally, there has been growing legal and political interest in the concepts of odious and illegitimate debts since Monterrey. Though ultimately the decision to provide cancellation to Iraq was not made on the basis of odiousness, the debate on Iraq’s debt surely raised the profile of the odious debt issue. Last year, Norway became the first government to unilaterally cancel specific debt claims on the grounds that the credit in question was an example of “failed development policy,” a key element of conceptions of illegitimacy of debt. Across the developing world, civil society has been implementing citizens’ debt audits to examine the nature of debts, and in 2007, Ecuador became the first government to convene an official debt audit commission, with a mission of assessing the legitimacy of historical lending to Ecuador. The debate on odious debts has further been developed with the publication of papers on the topic by UNCTAD and the World Bank. As new developments in external debt are considered, the growing global call for action on odious and illegitimate debt and the need for strong new standards for responsible lending should be supported in Doha.

* *External contributions are the responsibility of the author(s) and do not necessarily reflect the views of the United Nations Secretariat. Neil Watkins is National Coordinator of [Jubilee USA Network](#), an alliance of religious organizations, development agencies, and human rights groups working for debt cancellation and responsible lending for impoverished nations.*

(continued from page 1)

Review Session on Chapter I of the Monterrey Consensus, “Mobilizing domestic financial resources for development”

The two Facilitators of the preparatory process, Ambassador Maged A. Abdelaziz of Egypt and Ambassador Johan L. Løvald of Norway, co-chaired the Review Session.

At the opening of the meeting, Ambassador Abdelaziz read out the [opening remarks of the President of the General Assembly, Dr. Srgjan Kerim](#). Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs, presented the [introductory remarks of Mr. Sha Zukang](#), Under-Secretary-General for Economic and Social Affairs. The statements were followed by [five panel presentations](#) and an interactive dialogue among all stakeholders.

Speakers highlighted that, since the adoption of the Monterrey Consensus in 2002, developing countries have made important progress in many areas of domestic resource mobilization. Many developing countries have implemented important governance reforms, improved their macroeconomic management and increased domestic savings and investments.

However, poverty is still on the increase in several countries, especially in sub-Saharan Africa. Moreover, income inequalities persist and rates of unemployment and under-employment are still very high in the developing world. Many speakers pointed out that governments have a fundamental role in addressing market failures and ensuring an equitable income distribution. In order to achieve the MDGs, countries should formulate and implement their national development strategies.

Participants also called for increased public investment in infrastructure and services for the poor to support sustained and equitable growth. Several speakers referred to an emerging consensus on the elements of good governance, which would include participatory democracy, effective rule of law, gender equality, stable property rights and low levels of corruption. However, it was also emphasized that, in most developing countries, the realization of such conditions would require significant time, considerable financial resources and enormous political effort.

During the session, it was underlined that sound macroeconomic policies should promote growth and employment, improve income distribution and enhance resilience

to shocks. Macroeconomic policy should be flexible and adapt to long-term structural changes that are taking place in developing countries. It should also include counter-cyclical elements to address short-run fluctuations. Several contributions highlighted the issue of capital flight from some developing countries. Countries have to weigh whether removing restrictions on capital flows will aggravate capital flight or help develop the financial system. In any case, prudent regulation was seen as a key tool to mitigate any adverse effects of capital movements. It was also mentioned that in recent years there had been more emphasis on fiscal policy space, which can be increased through the mobilization of domestic revenue, more productive investments, improving expenditure efficiency, increased external aid and less conditionalities imposed by donors.

Speakers also highlighted the fact that the Monterrey Consensus called for a holistic approach to people-centered development. There was a converging view that people-centered development implied full employment of men and women and sufficient opportunities for decent work. It was emphasized that gender inequalities persisted in labour markets, credit markets and the distribution of assets. In the view of many participants, there needs to be a better understanding of the role of women in development. Macroeconomics should go beyond gender budgeting and take into account tax issues, business cycles, employment and decent work for all, as well as the unpaid “care” economy.

Some participants highlighted that a public-private dialogue should seek to establish and expand family-owned, small and medium enterprises. Important areas of reform include the strengthening of corporate governance, anti-corruption measures, such as principles of transparency and accountability, increasing profitability of doing business and simplification of the procedure of establishing new businesses. Development of the informal sector should also be targeted. Other pertinent issues mentioned during the discussion included the potential of remittances for development. Remittance flows may constitute an important resource for the banking sector and income-generating activities.

Moreover, participants highlighted that an inclusive financial sector, including microfinance providers that serve women and small rural enterprises and households, as well as access to finance by small and medium enterprises, was vital to development. ■

Review Session on Chapter II, “Mobilizing international resources for development: foreign direct investment and other private flows”

During the session, several speakers emphasized that private capital flows to developing countries had been on a strong upward trend, supported by domestic economic reforms, improved macroeconomic fundamentals and improved growth. Many speakers stressed that FDI could serve to reduce poverty and stimulate economic growth by facilitating the transfer of knowledge and technology, increasing employment generation and enhancing productivity, cross-border linkages, competitiveness and entrepreneurship.

Speakers, who focused their contributions on the beneficial effects of FDI, called on developing countries to improve their investment climate, strengthen risk-sharing mechanisms, promote effective public/private partnerships and increase the domestic market through human resource development and measures to ensure that growth be inclusive. Moreover, developing countries should invest more in infrastructure and foster regional integration and South-South cooperation. However, while developing countries should create appropriate incentives to attract productive foreign capital, they were called on to be cautious of short-term and potentially destabilizing capital flows. In this regard, the sequencing of financial liberalization was seen as an important factor. Several participants expected private capital flows to decline somewhat in the short term due to a moderation in global growth and tighter credit conditions following the recent financial turmoil caused by the subprime mortgage crisis. Yet, in the long term, the prospects for increasing private capital flows to developing countries were seen as positive, driven by their favorable demographic profiles, cost advantage and promising outlook for investment and growth.

There was widespread concern, however, that foreign direct investment remained concentrated in a few countries. In relation to this, it was lamented that the international community had failed to establish an international financial architecture that would enhance the level and stability of private capital flows to developing countries. Many participants highlighted that quality mattered more than quantity when discussing FDI flows.

In assessing the development impact of FDI, speakers deemed it important to distinguish between its different forms. For instance, FDI can be beneficial where it augments the availability of resources for productive investments in developing countries. However, where it takes the form of mergers and acquisitions or portfolio investment, it may not augment real resources of the economy. Rather, it may add to foreign exchange, leading to more accumulation of reserves or an appreciation of the exchange rate. Even greenfield investment can lead to a net employment loss when increased import demand replaces domestic production or through the promotion of less labour intensive forms of production. Low-income countries with extractive industries, that are characterized by capital intensive production processes, should ensure that FDI directed at these industries comply with appropriate standards and that revenues from this sector be used to diversify their economy.

Developed countries were called on to commit to an increase in ODA and other measures to facilitate private capital flows to, and within, developing countries. Moreover, the efficient movement of private capital needs to be complemented by the efficient movement of labour. In this respect, there were calls on developed countries to ease restrictions on labour mobility. Measures should be undertaken to support small and medium enterprises, which are an important generator of employment creation in many countries. Furthermore, backward linkages between larger enterprises and their smaller counterparts should be encouraged and supported, where they are viable and have a beneficial impact on the economy. The business sector was asked to respect labour standards and be more socially responsible and gender-sensitive. Moreover, corporations should be more transparent, consider the environmental implications of their undertakings and respect both national and international rules and principles. ■

The programmes of the Review Sessions, panel presentations and inputs from Member States and all relevant stakeholders are available on the FfD website at <http://www.un.org/esa/ffd/doha/roadmap.htm>.

Informal summaries by the President of the General Assembly of both Review Sessions will be posted on the FfD website at <http://www.un.org/esa/ffd>.

Upcoming events and other announcements

Registration for Doha Review Sessions

Non-governmental organizations that wish to attend future Review Sessions should [register online](#). Registration will be open to all non-governmental organizations that are in consultative status with the Economic and Social Council and to all non-governmental organizations accredited to the International Conference on Financing for Development or to its follow-up process.

NGO Facilitators in the Financing for Development process

There are various NGO networks that serve as facilitators in the FfD process. The current group includes:

- [NGO Committee on Financing for Development](#)
- [New Rules for Global Finance Coalition](#)
- [CIDSE](#)
- [EURODAD](#)
- [AFRODAD](#)
- [LATINDADD](#)
- [Third World Institute](#)
- [Third World Network](#)
- [Women's Working Group on Financing for Development](#)

NGOs that are not familiar with the FfD process and want to engage in the Doha Review Conference and its preparatory process are encouraged to contact one of these networks. NGOs that are in consultative status with ECOSOC or accredited to the FfD process and wish to serve as a facilitating group on FfD should contact NGLS or the FfD Office.

International Forum on Civil Society and Aid Effectiveness

3-6 February 2008, Ottawa

The International Forum on Civil Society and Aid Effectiveness was organized as part of the preparatory process leading up to the Third High-level Forum on Aid Effectiveness (Accra, Ghana, 2 - 4 September 2008). About 200 participants attended the Forum, including donor and recipient governments, multilateral institutions and Northern and Southern civil society organizations. The main objectives of the Forum were to improve understanding of aid effectiveness, particularly the role of civil society in development, and to take stock of civil society consultations held thus far.

The Ottawa Forum was organized around the following three themes: (1) Recognition and Voice of Civil Society Organizations; (2) Applying and Enriching the International Aid Effectiveness Agenda; and (3) Civil Society Organizations' Effectiveness.

Six round tables focused on: (1) Civil Society Organizations' Roles, Voice and Legitimacy; (2) Civil Society Organizations' Accountability: Best Practice and Structures; (3) Democratic Ownership: Alignment, Coordination and Harmonization; (4) Democratic Ownership: Managing for Development Results and Mutual Accountability; (5) Donor and Government Enabling Environments; and (6) Equitable North/South Civil Society Organizations Relations.

A [position paper](#) was prepared by the International Civil Society Organizations Steering Group (ISG) coordinating the "Civil Society Organizations Parallel Process to the Ghana High-level Forum Network". The ISG brings together various NGOs engaged in development issues and the aid effectiveness agenda and will present the position paper at the High-level Forum in Accra.

The [International Consultation of Women's Organizations on Aid Effectiveness](#) took place prior to the Ottawa Forum and produced gender-related recommendations that supplemented the discussions at the Forum.

Key interventions and roundtable reports are available on the website of the Canadian Council for International Co-operation (<http://www.ccic.ca/e/002/aid.shtml>). A comprehensive report should be made available by mid-March.

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