

## Registration for Civil Society Hearings

FfDO and NGLS have opened the registration process for the Hearings of Civil Society on Financing for Development (18 June 2008). Registrants also have the option of nominating a representative of civil society to serve as a panelist at the event. The registration form can be retrieved online at <http://www.un-nxls.org/ffd>.

## 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 III, "International trade as an engine for development" (19 - 20 May 2008)
- (2) Hearings with representatives of civil society and the business sector on financing for development (18 June 2008)



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## General Assembly discusses role of development aid and aid effectiveness

### Review Session on Chapter IV of the Monterrey Consensus, "Increasing international financial and technical cooperation for development"



The fifth informal General Assembly review session was held on 15 and 16 April 2008 at UN Headquarters. Five [panel presentations](#) were followed by an interactive dialogue among all stakeholders. The session focused on ODA trends, emerging issues, aid effectiveness and ways to enhance international financial and technical cooperation for development.

#### *ODA trends*

During the session, it was noted that ODA trends since Monterrey showed an increase between 2002 and 2005 followed by two consecutive years of decline in 2006 and 2007. The rate of increase in ODA needed to more than double in order to meet the Gleneagles target of reaching \$130 billion in 2010. Moreover, increasing food and energy prices were complicating the achievement of international development goals. Some participants emphasized the importance of major donor coun-

tries setting strict deadlines to fulfill ODA obligations and the establishment of an intergovernmental monitoring mechanism to keep track of aid quantity, quality and effectiveness. A number of speakers expressed the view that the Doha Conference should seek to give greater predictability for donor countries meeting their agreed ODA commitments.

Many participants mentioned that South-South cooperation, including triangular cooperation, was an important aspect of development cooperation. Emerging donors could contribute to lessons learned from their own development experience.



#### *Aid quality and effectiveness*

Many speakers highlighted that aid quality and effectiveness depended significantly on national ownership, domestic policies and regulatory frameworks, as well as the alignment of ODA with national policy objectives. Concerns were raised about restrictions such as tying aid to burdensome conditionalities and the lack of harmonization among donors.

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## IMF conditionalities potentially harmful for the least developed countries

By Raymond Saner\* and Ricardo Guilherme\*\*

In stark contrast with Fund conditions set in the early 1980s, there has been a significant increase in the number of conditionalities set for low-income countries eligible for its Poverty Reduction Growth Facility (PRGF)<sup>1</sup> programme. This increase in prescriptions has greatly expanded the IMF's remit to include public sector employment, privatization, public enterprise reforms, trade policy, pricing, social security systems and "systemic" reforms, among others.<sup>2</sup>

By acknowledging the existence of two broad types of structural reforms<sup>3</sup>, the Fund tacitly admits the existence of double standards with regard to conditionalities. The first cluster, based on the Fund's core areas of expertise, tackles macroeconomic scenarios via policies that aim to ensure stabilization of exchange rate practices, as well as reduce balance of payments and financial or monetary problems. Such policies could also include measures such as tax reform, fiscal responsibility, banking and monetary reforms and exchange rate flexibility.<sup>4</sup>

The second cluster, involving a much enlarged scope of Fund conditionality, advocates "policies aiming more generally at improvements on the economy's underlying structure – its efficiency and flexibility – to foster growth, and facilitate adjustment to exogenous shocks."<sup>5</sup> This is where the Fund arrogates to itself the right to engage in much broader reforms, including trade liberalization, pricing and marketing, labour market reorganization and generic institutional or regulatory changes.

This enlarged scope of Fund involvement, through its conditionalities, should be urgently reviewed and circumscribed by the Fund's existing legal provisions and guidelines. For instance, the mandate to establish "adequate" solvency safeguards should not be interpreted as giving the Fund an unlimited mandate to prescribe all-encompassing structural reforms on a Fund member.<sup>6</sup>

A restrictive interpretation of the Fund's mandate is supported

<sup>1</sup> The PRGF, established in 1999, is the IMF's low-interest lending facility for poor countries. The PRGF is supposed to integrate the objectives of poverty reduction and growth more fully into the operations of its poorest members.

<sup>2</sup> See IMF, *Structural Conditionality in Fund-Supported Programs* (Washington, D.C.: Policy Development and Review Department, IMF, 2001), p. 26.

<sup>3</sup> *Ibid.*, p. 28.

<sup>4</sup> See IMF and World Bank, "An Enhanced Partnership for Sustainable Growth and Poverty Reduction". Joint Statement by Horst Koehler and James Wolfensohn, 2000, affirming that the "Fund's core mandate is to promote international financial stability and the macroeconomic stability and growth of member countries... [T]he Fund must focus on its core responsibilities: *monetary, fiscal, and exchange rate policies*, and their associated institutional and structural aspects." (emphasis ours)

<sup>5</sup> *Ibid.*

<sup>6</sup> See D.E. Siegel, *Legal Aspects of the IMF/WTO Relationship: The Fund's Articles of Agreement and the WTO Agreements*, 96 *American Journal of International Law* 3, 2002, p. 573. According to Siegel, Fund conditionalities "must be limited to those [policy intentions] that are consistent with the Fund's Articles [of Agreement]." See also IMF and World Bank, "Strengthening IMF-World Bank Cooperation on Country Programs and Conditionality", 2001, p. 8; PRGF conditionality measures "should focus on policies within the Fund's *core areas of expertise: monetary, fiscal, and exchange rate policies*; the institutional arrangements underlying these policies; and structural aspects *closely related to them* (...)" (emphasis ours)

by the IMF Guidelines on Conditionality<sup>7</sup>, which emphasize that conditionality objectives must be strictly related to resolution of balance of payments problems, in conformity with the Fund's Articles and in a manner that establishes "adequate" safeguards for the use of Fund resources. In other words, "adequate solvency safeguards" to address balance of payments problems should not extend to trade, labour and regulatory policies.

This crucial distinction between Fund "demands" and "suggestions" is not resolved by other language regarding Fund conditionalities. While ownership of and capacity to implement a programme is acknowledged to be the *sole* responsibility of a member country, the Fund is supposed to only be *guided*, but *not bound* by the same principle of ownership.

This wording ensures that the Fund is shielded from external criticism on legal grounds, since sole responsibility is borne by the borrowing government. The same guidelines provide unlimited scope for the Fund to apply conditionalities even though a borrowing least developed country might have different policy preferences and priorities, e.g. with regard to trade and poverty reduction policies. Hence, "adequate safeguards" allows the Fund to demand reforms even though they are not supported by the Fund's own core mandate.<sup>8</sup>

As correctly acknowledged by key Fund documents, trade policy conditionalities have little to do with the Fund's traditional mission or areas of expertise, and represent an obvious deviation from the Fund's "core" legal mandate to provide assistance to countries with balance of payments problems. Instead of focusing on exchange rate issues, balance of payments concerns or financial and monetary analysis, the Fund has turned to trade policy reforms, streamlining trade policy administration, government revenue, governance and customs administration reforms, all pushed through on the basis of dubious efficiency improvement claims.<sup>9</sup>

Notwithstanding the ongoing debate on coherence, it appears doubtful that lending arrangements with IMF member countries have complied with existing Fund rules. Such deviation from the core mandate of the Fund also raises the likelihood of resource misallocation and failure to provide proper oversight of the international economy.

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*Based on "The International Monetary Fund's Influence on Trade Policy: A Legal Critique". Journal of World Trade, 41(5): 931-981, 2007. The opinions expressed herein are those of the authors only and do not necessarily reflect the views of, nor should they be attributed to, the institutions to which they are affiliated, to UN Secretariat or to G24.*

<sup>7</sup> See IMF, "Guidelines on Conditionality", *Legal and Policy Development and Review Department*, 2002, pp 1-2.

<sup>8</sup> In fairness, the ambiguity of the distinction between Fund-supported programmes (along with a member's intended reforms) and Fund-driven conditionalities might also be convenient to certain governments that may prefer to transfer responsibility for unpopular reform measures to the Fund, by blaming "Fund requirements". See Siegel, *op. cit.*, p. 573.

<sup>9</sup> See IMF, *Trade Conditionality Under Fund-Supported Programs, 1990-2004* (Washington, D.C.: Policy Development and Review Department, 2005), pp 4-6.

(continued from p. 1)

Many delegates emphasized their commitment to the Paris Declaration on Aid Effectiveness. They welcomed the Accra High-level Forum on Aid Effectiveness, to be held in September 2008, as a crucial political opportunity to come to an agreement on decisive action needed to meet the Paris Declaration targets. Some speakers underscored the need for early coordination and information sharing between the Accra Forum and the Doha Conference.

A number of participants stressed that good governance should be exercised over the use of development resources. It was noted that aid effectiveness should focus on such issues as human resource development, gender equality and environmental protection.

Some participants also expressed concern about the limited role of recipient countries in the Paris Declaration, which was seen as an OECD and donor-driven process. As a result, the Paris Declaration was reducing the policy space of recipients and accentuating asymmetries in power between donor and recipient countries, notwithstanding gains in efficiency and cost reductions in aid delivery. Some representatives highlighted their increasing support for country ownership, promoting best practices to improve effectiveness and leveraging private resources.

The session also touched upon the contribution of emerging public and private donors to development cooperation. Their resources complemented financing from traditional donors. In the view of several speakers, aid coordination and harmonization efforts needed to encompass the increasing role of non-DAC donors. Also, a number of participants reiterated their support for the UN reform process on system-wide coherence, including improvement of effectiveness and coherence at the country level through the "One UN" approach.

Many speakers asserted that aid flows should be predictable over time as well as counter-cyclical to minimize adverse effects on recipient country economies. They recalled that experience had shown that aid provided as direct budgetary support could deliver better results. Some participants also noted the need for increased transparency on the part of donor and recipient governments. The importance of increasing the cost effectiveness of technical assistance and the clear need for capacity building in developing countries was highlighted as well.

#### *Enhancing international financial and technical cooperation for development*

Many participants underscored the importance of making ODA more counter-cyclical and equitable. The current highly deficient allocation of ODA to the agriculture, trade and manufacturing sectors would need to be addressed to enhance ODA effectiveness. With respect to

mitigating and adapting to the effects of climate change, it was noted that a large amount of auxiliary resources, in the range of \$100 billion a year, would be needed, and that these should be in addition to traditional ODA. Cooperation efforts in climate change mitigation and adaptation should be made within the UNFCCC.

A number of speakers stressed that, given the large volumes of private capital flows into developing countries, it was important to use ODA to catalyze private funding to promote the development of social and economic infrastructure.

It was emphasized that assistance in a peace-building context required a seamless transition from humanitarian assistance in a conflict situation to rehabilitation and nation-building and then to assistance for enhancing governance and improvement of social and economic infrastructure. Regarding the evaluation of aid effectiveness, many participants noted the importance of making the process inclusive and reducing ex-ante conditionalities. The Annual Ministerial Review and the Development Cooperation Forum (DCF) of ECOSOC could play a leading role in these functions.

Many participants recognized the important role of multilateral and regional development banks in assisting the development efforts of developing countries, including middle-income countries, and emphasized the need to strengthen these financial institutions to allow them to provide flexible financial support to fulfill their mandate. Core funding of these institutions should be bolstered to enhance their capacity for technical and financial assistance in such areas as water, roads, sanitation and other fields where ODA had demonstrated effectiveness.

The UN could play a substantial role in coordinating the diversity of sources of development assistance to developing countries, including non-DAC countries, private corporations, international NGOs and foundations.

Innovative sources of financing were recognized as an important supplement to existing sources. Some participants called for the implementation of the Monterrey proposal to use SDR allocations for development financing. There was reiteration of the proposal for a global currency transaction tax, which would require international coordination to administer, but would generate very substantial resources. Participants called for the disbursement of resources generated by innovative finance through existing multilateral institutions, especially through organizations in the UN system. ■

*An informal summary by the President of the General Assembly of the Review Session will be posted on the FfD website at <http://www.un.org/esa/ffd>.*

## UNCTAD XII reinforces international efforts to extend globalization gains to the poor

UNCTAD XII ended on 25 April 2008 with the adoption of comprehensive conclusions aimed at reinforcing international efforts to extend gains from globalization to the poor.

The Accra Accord and Declaration were adopted by consensus by UNCTAD's 193 member states. The conference conclusions address pressing economic, trade and development issues and set UNCTAD's four-year work programme.



Photo Credit: Eskinder Debebe

While welcoming the strong economic growth rates that global trade and investment flows have brought to many in the developing world, UNCTAD XII cautioned that these advances have not been shared by all and have been accompanied by new difficulties, most notably the current crises in food prices and financial markets, as well as growing income inequalities.

At the opening session, UN Secretary-General Ban Ki Moon announced he was establishing a high-powered task force to address both the immediate emergency needs and longer-term structural problems at the root of the current food crisis, in which UNCTAD will be heavily involved. In this regard, the Accra Accord gave UNCTAD a stronger mandate on commodities, which UNCTAD Secretary-General Supachai Panitchpakdi said he would use especially to bolster agricultural sectors in developing countries, highlighting market distortions and backing policies that lead to higher incomes for small producers.

UNCTAD's role was also strengthened to address the trade and development aspects of such key emerging issues as climate change, energy security and international migration. In addition, UNCTAD was given a mandate to work with the ILO on the objective of "full and productive employment" especially by examining the impact of trade on jobs.

The Accra Accord emphasized the urgency of meeting the needs of the least developed countries, many of which are in Africa, the host continent of UNCTAD XII. To this end, UNCTAD XII underscored the importance of diversifying economies away

from dependence on one or two commodities, building the capacity to produce a wide range of goods, ensuring access to basic services and strengthening legal and regulatory frameworks and institutions. The Accord also states that the policies should be tailored to the needs of individual countries, while at the same time respecting international law, declaring that "there is no one precise model for improved, growth-enhancing governance and institutions". At the same time, the conference stressed the immense potential created by growing trade and investment links within the developing world, spurred by the emergence of dynamic developing economies, such as China, India and Brazil.

See <http://www.unctadxii.org/en/> to view the official website. For more information and views from civil society visit the NGLS [online 'focus page'](#).

## ESCWA holds consultative preparatory meeting for the Follow-up International Conference on Financing for Development

The United Nations Economic and Social Commission for Western Asia (ESCWA) held, on 29-30 April 2008 in Doha, Qatar, a consultative preparatory meeting for the Follow-up International Conference on Financing for Development. The meeting focused on the progress achieved by member countries in implementing the Monterrey Consensus. Panel discussions focused on the six thematic areas of the Consensus, including domestic and international resource mobilization, trade, external debt, international financial and technical cooperation for development and enhancing the coherence and consistency of the international monetary, financial and trade systems.



The meeting brought together government officials, regional experts from academia, civil society and the private sector. As a result, a draft resolution on financing for development will be submitted to ESCWA's Twenty-fifth Ministerial Session, to be held on 26 -29 May 2008 in Sanaa, Yemen.

More information, including panel presentations, is available on the FfD [website](#).

## Workshop on “Debt, Finance and Emerging Issues in Financial Integration”

A multi-stakeholder Workshop on “Debt, Finance and Emerging Issues in Financial Integration” (New York, 8-9 April 2008), organized by FfDO as part of its work programme in preparation for the Doha Conference on Financing for Development, identified emerging areas in international finance in need of policy intervention to maintain financial stability, sustainable external obligations, access to finance and suitable cooperative mechanism to re-structure sovereign debt and crisis management. Speakers included USG for Economic and Social Affairs Sha Zukang and his predecessor José Antonio Ocampo, ASG for Economic Development Jomo Kwame Sundaram, as well as internationally renowned economists, including John Williamson, Avinash Persaud and Ajit Singh.

More information and panel presentations are available [online](#).

## Doha NGO Group

The Doha NGO Group comprises the following 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](#)
- [Cooperation Internationale pour le Developpement et la Solidarite](#)
- [EURODAD](#)
- [AFRODAD](#)
- [LATINDADD](#)
- [Third World Institute](#)
- [Third World Network](#)
- [Women's Working Group on Financing for Development](#)
- [Ubuntu](#)
- [International Trade Union Confederation](#)
- [AWEAPON](#)

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.

## Side Event on the Role of Aid in Financing Development

NGLS and UNIFEM organized a multi-stakeholder Panel Discussion on 15 April 2008 at UN Headquarters in New York to discuss the Role of Aid in Financing Development. Speakers included H.E. Ambassador Byron Blake, Deputy Permanent Representative of Antigua and Barbuda to the United Nations; Dr. Eckhard Deutscher, Chair, Development Assistance Committee, Organisation for Economic Cooperation and Development (OECD-DAC); Mr. Cyrille Pierre, International Financial Affairs, French Ministry of Foreign and European Affairs; and Ms. Lucy Hayes, European Network on Trade and Development (EURODAD). The event was moderated by Ms. Elisa Peter, Acting Coordinator, United Nations Non Governmental Liaison Service (NGLS).

The panelists addressed important issues related to the role of aid in financing development, achieving gender equality and women’s empowerment and eradicating poverty. All agreed that the falling levels of ODA, the global economic slow down, the steep increase in food, commodity and energy prices and increased market volatility gave cause for concern.

While there were differing perspectives on the process leading to the review of the Paris Declaration on Aid Effectiveness and on the methods used for determining the quality of aid, all participants agreed that ODA had an essential role in financing development. It was also stressed that any discussion on aid quantity and quality needed to be open and fully inclusive, with the participation of all development actors, including donor and recipient countries, parliaments and civil society organizations, including women’s organizations.

All participants also noted that the outcome of the Paris Declaration review, scheduled to take place in Accra, Ghana in September 2008, would have an impact on the review of the Monterrey Consensus later this year in Doha, Qatar.

The [full notes of the meeting](#) are available from the NGLS office.

## First UN planning mission visits Doha, Qatar

The first UN planning mission for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, led by FfDO, visited Doha, Qatar on 26-27 April 2008. Representatives from the Executive



Office of the Secretary-General, the Department of Economic and Social Affairs, the Department for General Assembly and Conference Management, the Department of Public Information, the Department for Safety and Security and the Department of Management participated in the mission and held consultations with the Qatari authorities on the draft of the Agreement with the host country regarding the organization of the Conference.

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