

U.N. Event on Financing for Development

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The UN General Assembly is moving into formal preparations for a high-level event on financing for development (FfD). The resumed organizational session of the preparatory committee (PrepCom) met March 27 to 31 to discuss logistics for the event, its preparatory process, and the nature of consultations to be held with other stakeholders.

The FfD process offers a unique opening for non-governmental organizations (NGOs) to advocate for a new multilateral consensus on how to manage global economic structures. The process is wide open for people to get involved. NGOs should work with each other, their governments, the UN system and other multilateral economic institutions to bring urgency and substance to the debate.

The PrepCom came after two years of wide-ranging debate on the question of Financing for Development. During the 52nd General Assembly (1997-98), member states passed a resolution (reference number 54/196) calling for a dialogue on financing for development that was to culminate in a high-level event (conference or summit; they could not agree) in the year 2001. During 1998 and 1999, informal meetings were held to hear from experts and to give governments the chance to exchange views on the breadth of the issues involved. Discussions looked not only at traditional development finance (loans and grants made from developed countries and multilateral institutions to developing countries) but also innovative sources of financing, the role of the private sector, and the relationship between the different multilateral organizations responsible for managing pieces of the global economy.

Governments are now a year or so from the event itself, and have turned to the formal business of a Prepcom to prepare for the event. The first substantive session of the PrepCom will be May 15-26, 2000 in New York.

The following article discusses briefly four things: the background to the FfD event, the agenda, links to other UN processes, and some preliminary ideas of where the process could go. A list of contacts and a calendar of events is provided at the end.

Background

In the 1990s, a series of events challenged the vision of development set out and implemented over the late 1970s and 1980s in the World Bank's and IMF's structural adjustment programs

and loans. This vision dictated unregulated markets, the privatization of social services and a reduced role for the state. It was the vision behind the Uruguay Round Agreements, signed in 1994, which created the World Trade Organization (WTO).

In contrast, a series of UN summits held throughout the 1990s defined a relatively comprehensive and progressive agenda for development. They also engaged an unprecedented number of NGOs in multilateral work.

The UN summits challenged the vision of development inherent in the structural adjustment programs. There were many other challenges to this vision. Collapsing commodity prices made it harder for developing countries to raise foreign exchange, even when their volume of exports increased. Unsustainable levels of debt persisted, and even worsened, while adjustment programs undermined developing countries' social infrastructure (health, education, housing, nutrition levels). Distortions in the world trade system persisted under WTO rules, working to the advantage of rich countries and their multinational companies, at the expense of poor countries and smaller competitors.

Development financing from developed countries, known as Official Development Assistance (ODA), declined sharply at a time when international commitments increased the scope of the issues ODA had to cover. The near-collapse of government in many countries in transition from communism significantly increased the number of people making demands on resources. In 1997, a combination of highly speculative foreign capital inflows and bad domestic investments led to the collapse of several major Asian economies, leaving tremendous poverty and hardship in their wake. Other developing countries, even on the other side of the world, felt the knock-on effect in reduced capital inflows. Also during the 1990s, the world's richest country - the United States - lived through one of the longest economic expansions in its history and experienced an enormous explosion in wealth while poverty not only persisted, but actually worsened for its poorest people.

In the year 2000, the world finds itself with a relatively comprehensive vision for what development should be, at the same time as there are fewer resources than ever going into its realization. No one has taken ownership of the new development agenda, except the NGOs that worked so hard to get governments to agree to it.

Relations between developed and developing countries are at a low ebb. The G77 is an unwieldy and often negative voice in the policy debate, with regional and other differences straining traditional alliances. Developed countries seem no closer to relinquishing their power over international economic affairs. Nor are they closer to implementing the commitments they made at the UN summits in Rio, Copenhagen, Beijing and elsewhere. The collapse of trade talks at the WTO Ministerial Conference in Seattle was in part a reflection of the anger developing countries felt at being ignored in the trade negotiating process. However, the discussions in Geneva since show little sign that the developed countries have heard these concerns.

From the perspective of developing countries, their international responsibilities have grown while their means to live up to these responsibilities has diminished. The money promised in the Rio Compact (protect your water, air, forests and other resources that we all depend on, and we

will make sure you have the financial and technical means to do it) never materialized. The richest countries in the world seem less willing than ever to contribute towards the protection of the global commons, or the creation of "global goods," such as equal access to resources.

The Agenda

The General Assembly agreed on the following agenda for the Financing for Development Meeting:

- Mobilizing domestic resources for development
- Mobilizing international private financial flows for development
- International financial co-operation for development
- External debt (bilateral, multilateral and commercial)
- Financing for development and trade
- Innovative sources of financing
- Governance of the international monetary, financial and trade systems
- Interrelationship between major elements and other special topics

The PrepCom's most substantive discussion at the recent organizational session focused on "modalities of the participation of all relevant stakeholders." These stakeholders are: Member and Observer States; the World Bank, International Monetary Fund (IMF) and WTO; the UN Conference on Trade and Development (UNCTAD) and the UN regional commissions; other agencies, funds and programs of the UN system; official organizations such as the Bank for International Settlements and regional organizations of central banks; and, the private sector and NGOs.

For UN system organizations and member states, General Assembly rules govern their participation. In addition, it is proposed that UNCTAD, together with the regional development banks and regional commissions, organize regional consultative meetings during the second half of 2000. Indonesia has offered to host the meeting for the Asia-Pacific region. The secretariat has proposed that non-governmental stakeholders be included in the regional process.

More complicated, because it is relatively uncharted territory, is the relationship of FfD with the World Bank, IMF and WTO. To date, only talks with the World Bank (WB) have moved forward. The proposed modalities for collaboration with the WB are: 1) consultations between the FfD Bureau and the Executive Board of the WB, probably in relation to PrepCom meetings; 2) informal consultations between the Bureau and the WB Board to encourage contact among delegations at regional and national levels; and 3) the appointment of a team of senior staff from the WB to collaborate with the Bureau and work closely with the WB Board. Some WB staff work on loan with the FfD secretariat.

Neither the IMF nor the WTO has yet come forward with proposals for how they would relate to the FfD process, although the head of each organization is consulting with its members on the question. It is not yet clear whether the modalities for their participation will be the same as those for the World Bank.

The March PrepCom accepted the Secretariat's proposed modalities for participation of NGOs and the private sector in the FfD process. This was based in part on responses from these sectors to a questionnaire that asked how they would like to be involved. There are three proposed modalities:

1. NGO participation in the PrepCom meetings and High-Level event. Accredited organizations would have the right to submit written statements to the PrepCom. NGOs in consultative status with the UN Economic and Social Council would be accredited automatically. Other interested NGOs and private sector organizations will have to apply for accreditation to the process itself, before January 2001.
2. NGO participation in hearings and other similar kinds of dialogue. The Secretariat proposed to organize two two-day hearings during the fourth quarter of 2000 in New York on the topics on FfD's agenda. NGO-organized events on the topics are also strongly encouraged.
3. NGO communication with the secretariat, including electronic conferences on FfD agenda items. The PrepCom documents will be posted on the FfD web site, and the comments made by NGOs and private sector entities will be edited, collected and distributed, first to those engaged in the electronic dialogue, and then to the PrepCom in 2001.

Links to Other UN Processes

The FfD process clearly relates to the preparations for the five-year reviews of the UN world summits. Financial resources were a central, contentious issue for each of the summits. They remain so in the subsequent monitoring and implementation effort. In particular, the five-year review of the World Summit for Social Development has considered the role of the Bretton Woods Institutions, the social responsibility of the private sector, and additional and innovative measures to generate resources for social development. This work will be invaluable to the FfD process, and NGOs have a lot to contribute. This year, the CSD looks at trade and investment as a crosscutting theme, and again the work will be directly relevant to the FfD preparations.

At the same time, despite the collapse of trade talks in Seattle, the WTO is pursuing a number of mandated negotiations, on agriculture, intellectual property rights and services. There are also debates on implementation issues linked to the Uruguay Round Agreements and continued pressure, particularly from the European Commission, to broaden talks into a wider round of negotiations that would include investment, competition, electronic commerce and further tariff reductions on manufactured goods. These negotiations are expected to continue until at least 2003. The Director-General of the WTO has pledged to review the negotiating mechanisms to address problems with transparency and the *de facto* exclusion of many member states, despite the nominally equal status of all Member States. NGOs working on these institutional issues may want to consider how they see the UN's role in financing for development and what the inter-relationship of the different multilateral organizations governing the economy should be.

There are many other relevant discussions at the UN. The debate on the peace dividend, for instance, and the continued work to control and reduce arms sales around the world. Work on strengthening governance and eliminating corruption also links to the finance discussion. The

work at the OECD to revise its Guidelines for Multinational Enterprises by June 2000 and the work at UNCTAD on Restrictive Business Practices are both about one of the central stakeholders in the FfD process: multinational businesses. The Jubilee 2000 campaign to break the crippling cycle of external debt servicing by developing countries would find another avenue in this debate. The Millennium Assembly and the call for a renewed commitment to multilateralism should surely include a finance component. The NGO campaign demanding improved governance of the WTO, the IMF and the World Bank, to ensure these institutions and the governments that control them are held accountable and work in a more constructive way also directly links to the FfD work.

At the same time, the FfD is important in its own right. It would benefit from the experience and analysis done in these other arenas. A breakthrough in the discussion of development finance would at a minimum help to shift a serious obstacle in the realization of many of the existing multilateral commitments to sustainable development.

Where could the process go?

It is too early yet to know exactly what the outcome will be. The formal process is still far from putting that kind of detail on the table. In fact, there is a danger that the process will never get the profile it needs to get properly launched. Here are a few thoughts to start a discussion among NGOs, a discussion that ideally would start to take shape before the first substantive PrepCom in May. They may be more ambitious than the final result is likely to be, but they may help to open up the discussion.

1. The South needs to drive this process. Developing country governments need to propose an agenda that meets their needs. This agenda cannot only be about ODA flows. The FfD preparations offer the chance to look critically at the role of private capital (domestic and foreign), taxation, tariffs, multinational companies, debt servicing and governance of the whole system. What regulations are missing? What new sources of money exist? What are the greatest opportunities and threats? How can we resolve the contradictions within the international financial system without creating another monolith like the Washington consensus of the 1980s? NGOs should begin to consider how all sectors in developing countries - government, private sector and NGOs - could be assured of a central place in the debate.

2. The FfD process, as recognized explicitly by some of the Member States in their comments to the PrepCom, creates an opportunity for national and regional dialogue among different government ministries. Officials from departments of trade, finance, development, and foreign affairs are all needed at the table. Moreover, there is an opportunity to confront the governments that run the IMF and World Bank, governments that are also UN members, with the hypocrisy of making rhetorical commitments to a sustainable development agenda while still financing something quite different.

3. Those in the private sector not benefiting from globalization need to be heard from. Globalization has brought tremendous consolidation in the private sector, and in many industries, competition has been severely curtailed. Large subsidies for rich countries' businesses persist, creating unfair competition. Governments at the UN could consider starting to work on

internationally coordinated tax regimes to control the current widespread evasion of taxation by many large companies.

There are many other ideas to consider. More immediately, NGOs already involved in the process are hoping to see, at a minimum:

1. A tighter institutional mechanism to bring the Bretton Woods Institutions and WTO into regular collaboration with the UN.
2. A reinvigoration of the role of the UN in financial issues, a role that has been steadily undermined over the last 20 years. Governments need to define a role for the UN in the new international financial architecture.
3. Clear mandates for relevant UN agencies, funds and programs to carry out capacity building for developing countries to strengthen their trade and finance negotiating skills and their ability to raise and manage revenue.

For more information, please contact

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The Quaker United Nations Office has written a primer on the process. Contact their office for copies.

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The South Centre has published many materials on this area, including a book entitled Financing Development: Key Issues for the South. They are available on-line.

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Other web sites with related information

<http://www.globalpolicy.org>

<http://iisd1.iisd.ca>

<http://www.wtwatch.org>

Calendar of Events

June 12 – 23, 2000: First substantive PrepCom, New York.

Last quarter of 2000: proposed regional meetings

Tentative dates:

12-23 Feb, 2001: second substantive PrepCom, New York

2-13 April, 2001: third substantive PrepCom, New York

No final date for the high-level event has been set, but it will be held in 2001.