

NGO Forum on the High-Level Segment of ECOSOC
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"Towards a genuine and strong follow up mechanism to the Financing for Development Conference"

1. Introduction

First of all I would like to thank the organizers of the NGO Forum for the invitation to this important event.

The previous speakers have focussed in their contributions to this panel, on the importance of Human Resources Development, to the process of development, by focussing on the issues of youth, health and education. However, it should be recognized that only if developing countries have the adequate financial means at their disposal they can enhance their human resources capacities.

This gives me the opportunity to refer to the outcome of the UN conference on Financing for Development (FfD) that took place in March 2002 in order to find new solutions for the problems of development financing. The Friedrich Ebert Foundation has been very actively engaged in the Monterrey conference and its preparatory process and will closely follow the implementation of the intergovernmental commitments in its follow up mechanism.

2. Stronger Role for the UN on economic development

The so-called Monterrey consensus as an outcome document of the FfD conference does not contain revolutionary breakthroughs. Nevertheless, the main achievement of the FfD process is the fact that the UN won its seat back to the table to discuss financing for development. In particular, there were many voices that viewed the UN engagement on financial matters with alarm and held that the UN should rather exclusively dedicate itself to its traditional fields such as peace, security and humanitarian affairs.

Another important outcome of the FfD process is that by raising its voice on global finance the UN has entered an arena that on the multilateral level is mainly guarded by the Bretton Woods Institutions (BWI) and the World Trade Organization (WTO). In this regard the engagement of the UN on these issues shows that economic development is strongly linked to Global Governance and that a more participatory approach in the global political system is needed to tackle the challenges of globalization.

Before I discuss the core issues of resource mobilization for development and give my comments on the Draft Ministerial Declaration (DMD) for the high level segment of the ECOSOC session I will address the importance of a strong FfD follow up mechanism.

3. The importance of a strong FfD follow up mechanism

Although the FfD process had the innovative approach of a Multi-Stakeholder dialogue, including civil society and business entities, the struggle for an appropriate framework to enhance development financing took place mainly between governments.

Not only the wide variety of issues made it difficult for developing countries to prioritize in the process, but there was also political risk involved for the countries of the South. The tough battles on some of the controversial issues of the Monterrey Consensus document were overshadowed by some industrial countries threatening to walk out of the process, and to let the FfD conference become a failure. This shows that even in organizations such as the UN where each country has one vote the leverage exercised by the powerful nations makes their participation that much more important.

But since the conference took place with all stakeholders on board, the follow up to the FfD conference has to be considered as a new process with the potential for new reform proposals beyond the Monterrey Consensus document. Therefore, it is important that all governments have agreed on a strong follow up mechanism at the level of the Economic and Social Council (ECOSOC) and the General Assembly.

The follow up mechanism will have a very transparent structure, since it follows the model of a Multi-Stakeholder approach and includes the participation of civil society and the business sector. This will open a main avenue to expose the BWIs and the WTO with new development proposals and to make these institutions accountable for their policy decisions. In this context it should be mentioned that the FfD preparatory process has developed many new ideas which were contested and therefore didn't make their way into the Monterrey consensus. The follow up mechanism will bear the opportunity to bring these proposals back into the discussion and to make them amenable to political solutions.

To achieve better coordination between the UN, the BWIs and the WTO it will be important to establish stronger working relationships and mechanisms. The upcoming ECOSOC session should take the opportunity in its coordination segment to find solutions that will engage the governing bodies of the BWIs and WTO into substantive discussions with the UN on economic and social policies.

The ECOSOC- BWI Meeting in April 2002, right after the Monterrey conference, was a first element of the FfD follow up, but lacked concrete proposals and arrangements for better coordination between the institutions. The meeting was dominated by the outcome of the Spring Meetings of the BWIs of the preceding days. In the discussions on poverty reduction further Trade Liberalization and the PRSP approach of the World Bank were presented as the prevalent strategies. Beyond, the assurance of governments as to the high spirits of the Monterrey conference, none of the reform proposals that came out of the FfD conference were discussed in further detail.

The upcoming ECOSOC session will give the opportunity to decide on a more effective mechanism in establishing more substantive engagement between ECOSOC, BWIs and

WTO for the implementation of the Monterrey commitments. One reform proposal that was raised by the NGO community is the idea of holding the ECOSOC-BWI Meetings prior to the Spring Meetings of the joint World Bank-IMF Development Committee. This would give the UN more leverage to have its voice considered on global economic and social issues.

Finally, it is crucial that the Secretary General decides as soon as possible on the structure and resources for a Financing for Development Secretariat to coordinate effectively the FfD follow up.

4. Comments on the Draft Ministerial Declaration of the high-level segment of the ECOSOC session

The Monterey Consensus is without doubt a step forward towards the attainment of the Millennium Development Goals (MDG), but much more immediate action is needed for further resource mobilization in achieving the Millennium target of halving the number of people living in poverty by 2015.

□ ODA

It should be strongly supported by civil society that the Draft Ministerial Declaration (DMD) of the high-level segment of the ECOSOC session strongly urges the donor community to "massively increase" official development assistance (ODA). The European Union and the United States announced in Monterrey to increase ODA, which up to a total of an additional 12 billion US\$ - but only as of the year 2006. But according to World Bank figures an additional 50 Billion US \$ per year are needed to achieve the development goals agreed at the Millennium Summit. Therefore, aid levels have to be immediately increased and a binding timeframe for meeting the 0.7% of GNP target has to be achieved.

□ Debt

It should be welcomed that the DMD for the ECOSOC session calls for "faster, deeper and broader debt relief to release resources for human resources development." Nevertheless, it should be noted that the call for sustainable debt relief of highly indebted countries should ensure that debt relief will not be exclusively linked to HIPC eligibility. This should include the call for a fair and transparent arbitration mechanism on debt that will guarantee a fair burden sharing between debtors and creditors and further debt cancellation for low-income countries.

□ Trade

The DMD recognizes the need for greater market access in the context of the Doha trade round. But as mentioned in the spring meetings of the BWIs this year, rich countries have to dramatically reduce tariffs, subsidies and other non-tariff barriers that undermine developing countries efforts to compete in markets in which they have a competitive advantage. Therefore, actions by the developed countries have to be taken now, without waiting for the results of the protracted WTO negotiations.

□ **Other Sources of Development Financing**

Unfortunately, the Draft Ministerial Declaration (DMD) of the high-level segment of the ECOSOC session does not make any references to new financing instruments for development. The concept of Global Public goods, the proposal for a Currency Transaction Tax (CTT) or concepts for international environmental taxes are not mentioned in the document. The lack of support by the industrial countries in the FfD conference to commit to the 0.7% ODA target and the fact that the available funds for the poorest developing countries fall short of achieving the Millennium Development Goals makes the implementation of new financial instruments a crucial contribution in the fight against poverty.

In summing up, the upcoming ECOSOC session should give the opportunity to decide on a more effective mechanism for a strong FfD follow up process. This could lead to progress in the implementation of the Monterrey commitments and give leverage to new intergovernmental commitments towards further steps forward towards the attainment of the Millennium Development Goals (MDG). The potential of the FfD follow up process to foster economic development will depend, in particular, on making use of the segments of ECOSOC and the General Assembly to establish a more substantive engagement between UN, BWIs and the WTO.