NGO Statement to the Special High-Level Meeting of ECOSOC with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development

UN Headquarters

New York, 18 April, 2005

Thank you. My name is Jo Marie Griesgraber, and it is my privilege to chair the New Rules for Global Finance Coalition, which is a coalition of NGOs and academics dedicated to making a stable financial system serve the goals of development. New Rules has been honored to serve as the civil society coordinator of Multi-Stakeholder Consultations on Systemic Issues leading up to the High-level Dialogue. We have organized consultations in Washington at the IMF; in Lima, Peru; in Nairobi, Kenya; and next month our fourth consultation will be held here in the United Nations.

Overview/Framework:

Broad-based CSO coalitions, including the International Facilitating Group on Follow-up to the International Conference on Financing for Development, New Rules for Global Finance Coalition, and the NGO Working Group for Financing for Development, are engaged in a Global Call to Action to mobilize support to eradicate poverty. In these efforts, we share a common approach to the FFD and MDGs. We approach them through a Justice framework, with the Universal Declaration of Human Rights serving as the "Magna Carta" of international law. Within this rights approach, the MDGs are benchmarks indicating movement in the right direction, and Financing for Development commitments at Monterrey are international pledges to mobilize all forms of financing for development to achieve not only the MDGs, but to ensure the protection and promotion of all human rights for all peoples.

This year—2005—is a moment of opportunity to bring development back to center stage. It marks, with the Millennium Summit, the start of the 10 year countdown to 2015 –the target date for the Millennium Development Goals. Furthermore, the High-level Dialogue on Financing for Development the end of June will allow for further reflection on how to strengthen the FfD Follow-up process and keep it focused on achieving results in all areas of the Monterrey Consensus.

Guided by the categories of the Monterrey Consensus Document, I now call to your attention to areas of major concern to the many civil society organizations committed to Financing for Development Process and to and meeting the MDGs.

1. ODA/ New innovative Mechanisms of Financing for Development

Aid flows need to rise well above current levels, and the commitments made in Monterrey must be quickly translated into action. ODA requirements to meet the MDGs reveal a tremendous shortfall in current levels. In addition, there are indications that allocations are being deflected from social-sector to military spending.

Without major external assistance many developing countries will not be able to reach the MDGs by 2015, let alone other, more ambitious goals. The meeting of World Leaders on "Action against Hunger and Poverty" which took place in September 2004 at UN Headquarters, in New York, has been a decisive step towards a new approach for the achievement of the MDGs. . The Lula Initiative could provide a new template for greater stability and predictability in aid and financing flows for development and an action plan that allows for an integrated approach of the international community to fight poverty.

Therefore, we recommend :

1. First, Broad based support by donor countries and fast implementation of the Lula Initiative, including its calls for new global tax policies.
2. Second, we call on all donor governments to meet the 0.7% target for ODA funding according to a short and tight timeline

2. International Capital Flows

New levels of secure aid are essential; but they alone will never be sufficient.

International private capital flows are also essential to meeting the MDGs. Currently, Foreign Direct Investment (FDI) is characterized by concentration in a few countries and by high rates of volatility.

In order to ensure that capital flows help economies to develop:

1. Adverse effects such as the volatility of private capital flows should be reduced through policies of prudential regulation, capital controls, anti-trust laws, and performance requirements;
2. These policies should be accompanied by mechanisms of enforcement, surveillance, and prosecution;
3. Linkages between FDI and local labor markets, including those of the informal economy, must be strengthened to ensure that receiving countries benefit from gainful and decent employment, training, and technology transfer;
4. Government infrastructure and public projects can increase partnerships with domestic capital investments. Such joint projects can serve as a mechanism to mitigate risks and decrease capital flight.

3. Debt

Debt sustainability frameworks elaborated by the Bretton Woods Institutions in Washington fail to integrate poverty reduction as their core objective and, through untenable loan conditionality, undermine national development processes and deepen poverty and inequality. Therefore:

1. We welcome the call by the UN Secretary General's Report, namely, to provide « exclusively grant-based finance and 100 percent debt cancellation » (UNSG para.54) that will assist some indebted countries to achieve the MDGs.

2. These resources should not come at the expense of resources available to other developing countries. The IMF has recently made the case for the feasibility of IMF gold sales; likewise the IBRD reserses are potential funding sources for canceling multilateral debt.

3. There is also a need to review the process by which debt sustainability is assessed.
    a. We welcome the call in the G7 Finance Ministers' communique of this past weekend to separate the functions of designing debt sustatinability from those of lending.
    b. We hope their proposals will soon lead to consideration of a range of alternatives that will enable the debtor to participate in the design of the debt sustainability analysis.
    c. Clearly, this search for alternatives should also include a review of the appropriateness of the CPIA (Country Policy and Institutional Assessment) currently used by the World Bank to arrive at debt thresholds.
    d. Any debt sustainability analysis must include an audit of the legitimacy or illegitimacy of all previous debts.

4. Non-HIPC and Middle Income Countries also need significant debt reduction, as called for by the Secretary General in his report. (para 54).
    a. The current ad hoc arrangement must be replaced by an orderly debt-workout mechanism, that provides to debtor governments the same protections capitalism affords individuals, corporations and municipalities.

4. Trade

The global trade regime under the WTO is currently not evaluated in terms of its contribution toward achieving the Millennium Development Goals. Furthermore, developing countries' domestic policy space for human development becomes increasingly limited by loan conditionalities of the International Financial Institutions. Developing countries have been pressured by these instruments to liberalize trade in goods, services, investment and property rights, yet industrialized countries' progress in lowering trade barriers remains elusive. One-sided liberalization does not guarantee growth or poverty reduction. Reducing tariffs without alternative sources of revenue is a negative net loss for developing country governments.

Within the context of trade, special attention must be called to commodities, and to commodity dependent low income countries.

1. The international community should work in a concerted manner toward filling the institutional vacuum surrounding the vulnerability of developing countries with respect to price and earnings instability from commodity exports. We support the recommendation of the Commission for Africa for a special facility to provide grant relief to countries dependent on one or two commodities when exogenous shocks decimate commodity prices or cause unanticipated expenditures as with the current high prices for oil.
2. An important measure to help solve the problem of over-supply is eliminating agricultural subsidies in developed countries.
3. UNCTAD should continue to work with suppliers and buyers to negotiate agreements to stabilize commodity prices.

4. The place of primary producers in the value chain should be enhanced through commodity-based development and diversification.

5. Policy Coherence

Governments are failing to ensure policy coherence between the economic, trade and investment policies they formulate within the IFIs and the WTO on the one hand, and the social policies and human rights standards of the UN on the other. The latest Global Monitoring Report on the MDGs prepared by IFI staff does not commit the International Financial Institutions to shift course from its classical policy prescriptions toward borrowing countries. Rather, the report recommends "outward-oriented strategies", that is, trade and investment liberalization, "less regulation", and securing property rights. These policy prescriptions converge with WTO financial and trade policies, and fail to recognize the need for convergence around the social policies and standards of the UN. The latter cluster of policies focus on policies that are a prerequisite to achieving the MDGs, stimulate positive developmental impacts of growth, provide clear distributional effects, and are designed to generate employment growth with decent jobs.

6. Governance

The governance of all the international institutions involved with Monterrey need to incorporate the principles of participation and transparency, consistent with the Universal Declaration of Human Rights.

1. We especially recommend implementation of modes of responding to the call for greater voice and vote for developing countries on the Boards of the World Bank and IMF.
    a. Voting power within the BWIs should be reallocated so as to fulfill the politic al outcome mandated by the Monterrey Consensus document t of "increasing the participation of developing countries and countries in transition."
    b. Mindful of the severe under-representation of African countries, basic votes must be increased to the original proportion of basic votes in the total votes.
2. Minutes and decisions of these same Boards must also be made public.
3. Similarly, the processes for decision making within the WTO must also be inclusive, transparent and follow due process.

Unequal power within these institutions fails to produce the quality of development espoused by the global community through the Universal declaration, the several global conferences of the last decade, Monterrey, and the Millennium Development Goals.

Chair, Distinguished Delegates, Civil Society Organizations are convinced that with the necessary political will and support of major stakeholders the FfD process can be strengthened and its coordinating role asserted, in critical policy areas such as trade, investment, debt, ODA, the MDGs, and achieving policy coherence. NGOs are key to the implementation of the MDGs at all levels.

1. We call on governments to continue the good practice of civil society participation developed in the FfD process, and ensure full and effective civil society participation

in the Millennium summit +5 process, up to and including the High-Level Round Tables of the Summit.

2. Finally, we commend to this ECOSOC meeting, these recommendations emerging from civil society organizations that are actively engaged in the Follow-up to the financing for Development Conference and the FfD Multi-Stakeholder consultations on debt and systemic issues.

We urge governments to recommit themselves to Monterrey and the Financing for Development process by strengthening the leadership role of ECOSOC. Distinguished Delegates, you can provide the on-going and high level political leadership essential to the implementation of the Millennium Development Goals and of the full range of Monterrey Commitments.