

ECOSOC 2004 High Level Segment Preparations

Roundtable 4: “Global partnerships and financing development” 17 March 2005

Summary

Chair: H.E. Mr. Munir Akram, Ambassador of Pakistan to the UN (New York) and President Of ECOSOC

The discussion on partnerships focused on four themes: trade; investment (including science and technology); debt and aid; and implementation at country level.

Policy coherence and practices in partnerships for development

A good example of a partnership for development between developed and developing countries is provided by Japan’s policies vis-a-vis its South East Asian neighbors (e.g. South Korea, Thailand, Malaysia, Singapore), beginning in the late 1950s – early 1960s until the 1980s. The coherence between Japan’s policies on trade, FDI, ODA and technology towards these countries, and also with the domestic policies adopted by the South East Asian countries, brought benefits to all partners. For example, South East Asian countries invested heavily in education, which allowed them to absorb the technology transferred by Japanese FDI; and Japanese companies investing in South East Asia were able to lower their production costs.

The *best* partnerships are tailor-made to meet the challenges on the ground and the interest of the investors. Effective dialogue and mutual understanding among stakeholders are paramount to achieving desired goals. Appreciation for complementary strengths and obligations of all stakeholders is fundamental. Setting clear targets at the outset, transparency, problem solving techniques, a well defined system for monitoring, evaluation and reporting are the building blocks for successful programmes. The underlying principle for a strong relationship requires treatment of both parties as equal partners.

Trade and investment

Actions needed outside the WTO on which the September Summit should take decisions include:

- Creation of a trade capacity building fund to enhance production, economic diversification, adjustment and competitiveness of low income countries. This could be jointly administered by the World Bank, WTO, UNCTAD and UNDP.
- Creation of a mechanism for the stabilization of commodity prices.
- Revival of international compensatory financing mechanisms to redress trade and revenue losses by developing countries from trade liberalization, tariff preference erosion or adverse terms of trade.

“Quick win” actions in trade include:

- Immediate agreement on the end date for agricultural export subsidies, including an early end to cotton subsidies;
 - Commitment to an early elimination of tariff peaks and escalation against exports of developing countries;
 - Commitment not to circumvent the elimination of quotas on textiles and clothing exports of developing countries;
 - Moratorium on anti-dumping actions against low income countries
 - End to abusive use of sanitary/phytosanitary standards and similar measures to restrain exports of low income countries.
 - Full participation of developing countries in standard setting processes;
 - Review of the development dimension of the TRIPS agreement.
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- On the global partnership for trade, the EU believes that the international community should commit to increasing and improving trade related assistance for developing countries. Such increases should be demand-driven. This requires that trade is mainstreamed in the national development strategies of developing countries. And the most advanced developing countries should contribute to enhanced market access for poorer developing countries. LDCs and the most vulnerable developing countries should be allowed to open their markets very gradually.
 - Preferential market access is necessary for the development of developing countries. The EU is reviewing its Generalised System of Preferences (GSP) providing increased benefits to developing countries, notably the vulnerable economies.
 - For the United States, trade, democratization, and stability are mutually supportive. Generally, democratization leads to increased economic liberalization. The reverse is also true. The surge of countries liberalizing their economies closely tracks the trend towards democracy around the globe. The number of countries openly electing their leaders increased from about 40 in 1974 to over 120 today.

Debt and aid

- Governments alone cannot fulfil their development objectives, including reaching the MDGs, without support from other sources. This is where partnerships become relevant and necessary. In Monterrey and Johannesburg, the international community committed to partnerships that complement rather than substitute government efforts in financing and implementing development strategies.
- The international community should consider debt-for-sustainable-development swaps for resource mobilization for development.
- In 2004, the Paris Club and others moved swiftly to reduce/cancel Iraq’s debt. Many have asked why the same cannot be done for other countries whose situation in terms of relative need, equity and merit are comparable to Iraq.
- There is a widespread debate between creditors on providing debt relief with either concessional loans or grants. For the Ambassador of Nigeria, whatever the form of debt relief, it should not be used to pay off arrears or settle commitments with multilateral

institutions. Furthermore, debt relief that does not provide tangible resources should not be counted as aid, because what developing countries need most is additional resources to scale-up investments in both social and productive sectors of their economies. The UK Government's announcement that it will not link aid to privatization programmes, and its call on other countries to emulate this example, should be commended.

- The Millennium Project's definition of debt sustainability as the level of debt consistent with meeting the MDGs while at the same time arriving in 2015 without a new debt overhang should be adopted. Debt sustainability assessments should reflect the perspective of the debtors, and not only creditors. Argentina is a prime example of both the promise and limitation of determining debt sustainability thresholds. A situation where creditors insist on a prescribed course of action without heeding the cries of the debtor in setting a manageable ceiling beyond which the debtor cannot handle does not augur well for good creditor-debtor relationships and confidence building.
- There is dire need for mutual accountability and shared responsibility between creditors and debtors in ensuring good lending practices and debt management. The suggestion that collective action clauses may be the answer ought to be scrutinized more carefully, especially with regard to sovereign debts. After all, there aren't sufficient bonds outstanding to make collective action clauses work effectively.
- A good strategy to manage debt is one that addresses commitments from the perspective of balancing asset and liability accounts together. Creditors should base their actions on assessed needs rather than subjective criteria. The establishment of investor relations should produce a two-way traffic for information exchanges between creditors and debtors.
- Multilateral financial institutions should play the role they were established to do, and there should be no duplication of roles. For instance, the IMF should address the liquidity needs of its members, while the World Bank should focus on providing development assistance. The Paris Club should not address liquidity challenges of countries nor should it play the role of debt collector for multilateral institutions.

Implementation at country level

The World Bank and IMF plan to undertake a review of the PRS initiative this year, which marks the fifth anniversary of this initiative. The Review will include five themes:

- Strengthening the medium term orientation of the PRS approach;
- Using the PRS as a mutual accountability framework between countries/donors;
- Broadening and deepening meaningful participation;
- Enhancing links between PRS, medium term expenditure frameworks and budgets;
- Tailoring the PRS approach to conflict-affected in fragile states.