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Statement on behalf of the Group of 77 and China

By H.E. Amb. Byron Blake

**On the draft outcome document of the
Follow-up International Conference on Financing for Development
to Review the Implementation of the Monterrey Consensus.**

8th August 2008, New York

Mr. President,

The Group of 77 and China wishes to thank you for your draft outcome document, dated 28 July 2008 and circulated under your letter of the same date. The G-77 and China would, in like vein, thank the Co-Chairs for their efforts in the broad-based consultations on the sections under Chapter 2 of the Monterrey Consensus and in assisting the preparation of the draft outcome document.

Mr. President,

The G-77 and China is acutely aware of the circumstances which led to the Monterrey Consensus; the joint resolve to address the challenges of financing for development around the world with the goal to eradicate poverty; the high expectation especially of developing countries, of this international compact signed by 191 world leaders to provide the financing and create the global and national environments which would stimulate and facilitate development and the achievement of the internationally agreed development goals, including the MDGs; the raft of mutually reinforcing, persistent and new challenges to development and even to the continued existence of certain economies, societies and cultures; and the potential reactions of our populations to a long delayed review conference which did not appear to meet expectations and bring hope.

It is against that backdrop of positive expectations and hope; the current deteriorating global economic performance; persistent and new crises, challenges and tensions; and growing uncertainty about the economic and social prospects of developing countries and of their achieving their developmental objectives and targets, including the IADGs and the MDGs, that the G-77 and China reviewed the draft outcome document and will enter into the negotiations for a final outcome document to be agreed and signed in Doha, Qatar. In light of experience the outcome must be negotiated and agreed with binding commitments for various parties and means for monitoring adherence, movement towards objectives and for enforcing compliance.

Mr. President,

In that context, the G-77 and China would like to share the following general observations on the draft outcome document:

- (1) It provides a general basis for negotiations;
- (2) It does not convey any sense of the implementation deficit or urgency, or any need for parties and indeed the international community as a whole, to act any differently from the manner in which they have acted since the signing of the Monterrey Consensus;
- (3) It is unbalanced in many respects and, in cases, the recommended actions do not follow from the facts. It places even greater responsibility on developing countries and on their policies than the Monterrey Consensus while the responsibilities and underperformance of developed countries are cast in the most permissive of language;
- (4) It places a heavy reliance on other institutions and processes – processes outside the UN system over which Member States, as a group, have little influence – to develop policies and undertake critical aspects of the programmes to facilitate the provision of resources for development;
- (5) It recognizes some key gaps and shortcomings especially in the institutional infrastructure or framework at national and international levels, but is very tentative on arrangements to remedy critical situations. Particularly important in this context is the acknowledged weaknesses in the global economic and financial architecture and governance arrangements. The proposal for a review conference moves in the right direction, but to leave the follow through to the existing financial institutions is to almost guarantee failure. In any event, the complexity of issues identified is much wider than finance and the mandate of the BWI's. The United Nations which has the mandate to build consensus on multi-dimensional or contentious issues and set global agendas, is not mentioned.
- (6) It recognizes that in the years following the Monterrey Conference a number of developing countries made significant progress in implementing development policies, and creating an environment which contributed to increased mobilization of domestic resources and higher levels of economic growth. Also, that increased efforts were needed on the part of the international community to support such an environment. Without devoting as much as a sentence to how the international community should act to support the national effort, it moves to dedicate nine paragraphs to prescribing actions and policies for implementation by developing countries in areas such as good governance, corruption, human resource development, fiscal and budgetary reform, macro economic policy liberalization, including liberalization of trade and the capital and current

accounts. There was no evidence offered in the analysis of performance other than statements such as *“corruption is a phenomenon that can affect developed and developing.....alike”* to support this total focus on national policies of developing countries.

- (7) It welcomes the rise in private international capital flows to developing countries since the Monterrey Consensus. It does not however, except by inference, point to issues such as the country and sectoral concentration of the flows of foreign direct investments, the potential devastating effects of portfolio flow and the high cost to some developing countries especially in Africa, among the LDC's, LLDC's the smaller economies including the SIDS and economies in transition or emerging from conflict to attract foreign direct investment especially in infrastructural sectors.
- (8) It reaffirmed the role for ODA in support of development and facilitating the achievement of the IADGs, including the MDGs and for Africa, LDCs, LLDCs and SIDS. It gives great emphasis to the increase in ODA between 2002 and 2005. It however fails to analyze issues such as:
 - a. the fact that of the near \$28 billion increase in 2005 over 2004 approximately \$18 billion or two thirds was debt relief mainly for two developing countries. The Monterrey Consensus explicitly encouraged donor countries to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries
 - b. the portion of ODA devoted to debt relief increased from less than 5% in 2001 to over 23% in 2005;
 - c. the fall of ODA in 2006 and 2007;
 - d. that the OECD members had moved from 0.33% of their GNP to ODA in 2005 to 0.28% in 2007, in spite of their repeated commitment to reach 0.7% by 2015; and
 - e. the likely impact of the current economic and financial crisis in ODA.
- (9) It recognizes that quality matters both for private foreign direct investment (FDI) and ODA but does not address the aspect of their developmental effectiveness or potential. It leaves the issue of aid effectiveness to the OECD/ DAC in which developing countries have no standing. This, in spite of the fact that the Development Cooperation Forum (DCF), established by the 2005 Summit to deal with such issues is now operational.
- (10) It avoids discussion and authoritative treatment of the lack of coherence between international trade policies and national development policies and the urgency of reform in the global trading arrangements to ensure that international trade fulfill the role assigned to it in the Monterrey Consensus. It sought to leave this most

important issue to the WTO, a forum which has failed to deliver on its own agreement since 2001. We expect the promised review of this section with the break down of the Doha Round. This Doha Conference will need to address frontally the sequenced, development oriented, trade policy framework required to ensure that world trade supports development and provides financing to facilitate such development.

- (11) It acknowledges the limited progress in addressing systemic issues and in enhancing coherence and consistency to the international monetary, financial and trading systems since 2002 and the greater interdependency of economies with the march of globalization, but leaves the issue with leaders expressing a willingness to undertake measures to ensure that the BWIs, have the technical capacities credit facilities and financial resources to assist countries in preventing financial crises instead of calling on BWI's to facilitate the development of those states. The issues are however more complex and include factors such as coverage of issues, mandates, governance, credibility and organization culture and hence require more fundamental treatment. They should be matters for the proposed international conference.
- (12) It acknowledges the importance of staying engaged but remains very tentative in the proposals to ensure this. It will consider holding a follow up Conference and requests ECOSOC to consider proposals for an institutional structure. The issue is too vital for such superficial treatment by a once-in-a-decade conference. This conference must be definitive. It must agree a comprehensive, inclusive, democratic and proactive follow up and monitoring arrangement with the necessary technical support. The 2013 conference would be a "marker" element;
- (13) It gives little role or no profile to the UN, the only universal body, in a system which is becoming and being driven to become more global and integrated daily. A global economy needs global governance structures. The proposal for a new Bretton Woods Conference, for example, should be under UN auspices; and
- (14) It does not provide any scope for comments by Governments on Chapter One of the Monterrey Consensus which provides the philosophic basis for the Consensus or contain any section which integrates the outcome document and creates a sense of potential impact.

Mr. President,

This statement highlights key limitations. This is mainly to indicate the work still to be done. The Group of 77 and China acknowledges that the document contains some important positive concepts and proposals. The Group will highlight and comment on these in the section by section or paragraph by paragraph discussions. We are ready to begin engaging in those discussions, given the short time to November. We will in time be presenting more detailed comments and proposals.

I thank you.