

19.09.08  
EU Presidency

**DRAFT**  
**DOHA OUTCOME DOCUMENT**  
**on Reviewing the Implementation of the Monterrey Consensus**

**General Comments**

As the EU has already stressed during consultations, it would prefer a more **concise text, for a stronger political impact, placing greater emphasis on trends and new and emerging issues, according to which the Monterrey Consensus must evolve.** In this respect, the comments made here by the EU are not intended to be “language” proposals as such, but to give a clear indication of the priorities and important messages that should be contained in the outcome of the Doha Conference. The EU is confident that the Co-chair will take these comments into account when the text will be redrafted.

As a general comment, the EU recalls that the Monterrey consensus remains the reference text, and that it is not the purpose of the Doha conference to renegotiate or rewrite it.  
**All these remarks are preliminary and the EU will come with further comments at a later stage on the whole text.**

**Introduction: reaffirming goals and commitments of the Monterrey Consensus.**

The EU underlines the necessity of a strong reaffirmation of the Monterrey Consensus, in its entirety and integrity as well as all its principles.

It is important to highlight that all development financing flows come in support of the achievement of the internationally agreed development goals, including the MDGs.

The EU would welcome the introduction of a reference to the **new challenges and emerging issues** in the last paragraph to highlight the fact that we take into account the current international context in our work.

1. We the heads of State and Government, and representatives of member states of the United Nations gathered here in Doha, Qatar, from November 29 to December 2 of 2008, almost seven years after the landmark conference held in Monterrey, reiterate our resolve to address the challenges of financing for development in the spirit of global partnership and solidarity. We once again commit ourselves to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.
2. We reaffirm the Monterrey Consensus in its entirety and in its integrity and recognize that mobilizing financial resources for development and the effective use of those resources are central for a global partnership for development in support of the achievement of the internationally agreed development goals (IADGs), including the Millennium Development Goals (MDGs).

3. We recognize that the international economic context has changed in profound ways since we met in Monterrey. While assessing progress made, sharing best practices and lessons learned, we have identified obstacles and constraints encountered. We are determined to take actions and initiatives to overcome these obstacles and devise important measures for further implementation.

### Mobilizing domestic financial resources for development

#### General comments

Without repeating the Monterrey consensus, the EU would like to highlight in this chapter:

- the role of national policies and development strategies cannot be overemphasized, thus the primary role of domestic resources for development.
- governance – in all its dimensions - is necessary for an efficient and accepted mobilization of domestic resources.
- importance to enhance collaboration among all stakeholders to promote sustainable growth and to address long-term challenges of financing for development.
- the importance of the effective use of the proceeds of natural resources for development.

The EU also believes that appropriate attention should be given to inequalities issues and specifically to the issues of gender equality and women empowerment, as women play a fundamental role in domestic economies. Sustainable development should be mentioned in all its aspects (economic, social and environmental).

4. In the years following Monterrey, a number of developing countries have made significant progress in the implementation of development policies in key areas of their economic frameworks, contributing to increased mobilization of domestic resources and higher levels of economic growth. We will continue to build upon this progress and endeavor to strengthen an investment climate that promotes entrepreneurship and facilitates establishing and doing business. More efforts are also needed by the international community to support such an environment.

- - This paragraph should reflect in a balanced way the principles set by the Monterrey consensus, inter alia the primary responsibility and leading role of the developing countries in their own development, with the complemented support of the international community.
- It could be recalled that efforts are made to achieve an **inclusive growth** and to fight against poverty.
- **Reference to private sector should be broader**, as it plays a fundamental role in economic growth.

5. We will strive to ensure the necessary internal conditions for mobilizing public and private savings and sustaining adequate levels of productive investment. Good governance is essential for effectively mobilizing domestic financial resources. We will enhance our efforts to overcome obstacles to strengthen good governance at all levels while keeping in mind countries' different characteristics and specificities and that national ownership is critical.

- The EU would like to stress that governance, in all its dimensions (including rule of law, economic governance, accountability, inclusiveness...), is essential to mobilize domestic resources.

6. Human resources are the most precious and valuable asset that countries possess. The realization of decent work for all, including investment in human capital through better designed and better funded health and education policies, coupled with better social protection and active labor market policies, is essential. Such policies have begun to show results, but increased efforts are needed.

→ Human development is an essential goal – this paragraph could be strengthened by stressing also that:

- an inclusive and pro-poor growth and the reduction of inequalities are crucial - strengthening this paragraph is fundamental in this respect,
- a particular attention should be paid to women,
- efforts to give better access to services (health, education, credit...) are required.

7. To take advantage of the benefits of globalization while minimizing its costs, opening the economy must also be accompanied by sufficient policy space and domestic measures that enhance resilience, in particular in the macroeconomic and financial areas. We will seek to enhance counter-cyclical macroeconomic policies to strengthen the domestic financial sector. Monetary policies should aim for low and stable inflation targets, while seeking to support employment policies.

→ The EU has interrogations on the objectives set in this paragraph, as well as on the notion of “policy space”, which includes a number of concepts that the EU will have to review carefully as their meaning and implications is not clear.

8. Fiscal reform is key to enhancing macroeconomic policies and mobilizing domestic public resources. We will strive to modernize budgetary processes and enhance transparency of public finance management including gender responsive public financial management. The development of a sound and wide-ranging financial sector is central to the mobilization of domestic financial resources and should be an important component of national development strategies. We will strive for diversified, well regulated, inclusive financial systems that promote savings and channel them to sound projects and initiatives, including in particular in the private sector. We will aim to increase the domestic supply of long-term capital and promote the development of domestic capital markets, including through multilateral, regional, sub-regional and national development banks.

→ In regard to this paragraph, the EU would like to emphasize two issues:

- the important role of women and inclusive financial systems.
- the role of accountability (Parliaments, civil society...) to mobilize domestic public resources.

9. To achieve equitable development and foster a vibrant, inclusive private sector, a financial infrastructure that provides access through a variety of products and services to small and medium businesses, targeting women, rural areas and the poor is vital, including microfinance and the financing of small and medium-size enterprises. To achieve gender equality, consideration of gender issues within areas such as macro/micro economic policies and labour policies should be undertaken. We will endeavor to address and remove gender biases in labour and financial markets as well as, *inter alia*, in the ownership of assets and property rights.

→ The EU supports this paragraph on private sector (cf. supra) – a reference could be made to inclusive financial sectors and systems.

10. We will strengthen efforts to increase tax revenues through more effective tax collection and modernization of tax legislation including through simplification of the tax system, broadening of the tax base, and strongly combating tax evasion. To support individual country efforts in these areas, it will be important to enhance international cooperation in tax matters and broaden participation in the development of international tax norms and rules. We will consider strengthening the United Nations Committee of Experts on International Cooperation on Tax Matters by upgrading it to an intergovernmental body.

→ The EU stresses that tax fraud and tax evasion prevent States to mobilize resources which could have financed economical and social development.  
In this respect, national tax policies are of particular importance (improving the tax administration, better acceptability, fiscal control, etc) as well as tax and custom cooperation.  
The EU reserves its position, at this stage, on the last proposal.

11. Capital flight is a major hindrance to the mobilization of domestic resources for development and efforts should be strengthened to address the various factors that contribute to this. It is vital to address the problem of illicit financial flows. Additional measures should be sought to prevent the transfer abroad of stolen assets and to assist in their recovery, as well as to prevent capital flows that have criminal intent, such as the financing of terrorism.

→ - Capital flight is also a very important subject. Some important initiatives have been launched in this regard - and also in relation with paragraph 12 since the adoption of the Monterrey Consensus, such as "STAR", BITI, Kimberly process, FLEGT.  
- Reference could be made to the strengthening of international cooperation (partnership UN/OECD) and to the private sector.

12. Corruption is a phenomenon that can affect developed and developing countries, and the public and private sectors, alike. The Monterrey Consensus underlined that fighting corruption at all levels is a priority. We are thus determined to combat corruption in all of its manifestations. This requires strong institutions at all levels, including the strengthening of the legal and judicial systems. We welcome the increased commitment of Member States that have already ratified or acceded to the United Nations Convention against Corruption, and in this regard urge all Member States that have not yet done so to consider ratifying or acceding to the Convention. We call upon all States parties to fully implement the Convention as soon as possible.

→ - The language on the UN Convention against corruption is of utmost importance  
- Governance, in all its dimensions, is essential.

13. While the pursuit of economic resilience is important for all countries, it requires constant and more strenuous efforts in small and vulnerable economies. These national efforts need to be reinforced by international support for capacity building including through technical assistance and through United Nations operational activities for development. In development cooperation policies we will pay special attention to the efforts and needs of LDCs, LLDCs and SIDS. Similarly, special attention is needed to support post-conflict countries in their rebuilding efforts.

## Mobilizing international resources for development: foreign direct investment and other private flows

### General Comments

This issue is crucial. The countries and the international community should create an enabling environment to attract capital flows through, inter alia, improving the quality of infrastructure, human resources, promotion of PPP - and to improve the quality of FDI. Two elements contribute to this: regional cooperation and respect of intellectual property rights. Reference to new funds (e.g. sovereign wealth funds) could be made in this chapter.

14. We welcome the rise in private international capital flows to developing countries since the Monterrey Conference. At the same time, we will try to substantially broaden the number of countries and sectors receiving such flows. Special efforts should be undertaken at the national, bilateral and multilateral levels to increase private capital flows, particularly foreign direct investment to Africa, LDCs, LLDCs and SIDS.
15. Developing countries and countries with economies in transition should enhance efforts to mobilize investment in transport, communications and other physical and social infrastructure that serve to strengthen their business environment. The support of bilateral and multilateral partners in this task is critical. There is also a need to enhance the tools used by multilateral and bilateral donors to mitigate the risks faced by business investors in critical sectors in developing and transition economies and to devise ways by which ODA can play a catalytic role in the mobilization of private flows. We will also strive to enhance the stability of private capital flows, through encouraging the implementation of counter-cyclical policies, and also through making efforts to promote South-South investment.

→ The EU supports this paragraph - The importance of social and environmental dimensions could also be stressed.

16. Experience of recent years has shown that providing an enabling business environment is fundamental to fostering domestic and foreign private investment. We will continue to put in place transparent, appropriate and enforceable regulations and laws for doing business, improve the availability of finance for enterprise, upgrade the skills and technical capabilities of human resources and facilitate public/private consultative mechanisms. Developed countries can also encourage private flows to developing countries through bilateral investment treaties, tax treaties and other tax measures. We call on bilateral and multilateral agencies to continue assisting interested countries to formulate policies and measures to attract international private capital flows, including through public/private partnerships.
17. The quality of foreign direct investment plays an important role in enhancing the development impact of these investments. We will strengthen efforts to maximize linkages with domestic production activities, the transfer of technology and the training of the local labour force. We will make stronger efforts to promote corporate social responsibility and good corporate governance and seek to ensure that adequate

labour and environmental protection standards are upheld everywhere. We encourage the work undertaken in the United Nations, including the Global Compact, in this regard. Measures should be devised to avoid over-exploitation of natural resources, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.

→ The EU will come back on the issue of technology transfer.  
Promotion of corporate social and environmental responsibility is of key importance – the text could be more ambitious in this regard, and call for the ratification of international instruments.  
On the extractive industries, a reference could be made to EITI, FLEGT.  
The importance of the protection of intellectual property rights should be taken into account.

18. We recognize that technology transfer is one of the key factors through which foreign direct investment can impact development. Such transfer can also be facilitated by the host country's pro-active innovation and transfer policies. Public-private partnerships can play a crucial role in implementing those policies, as well as in fostering a dynamic small and medium-size enterprise sector. Many lessons have been learned on how these elements should be carefully taken into consideration in the formulation of national development strategies.

→ On PPP, these should be inclusive (i.e. cover all stakeholders, including civil society).

19. International financial institutions, particularly multilateral development banks, should continue to enhance their efforts to provide incentives for private flows to developing countries and transition-economy countries. At the same time, these institutions should continue to explore innovative modalities to facilitate additional private flows to such countries.

20. We are cognizant of the fact that the perception of a country's current economic conditions and prospects determine to a large extent the international private financial flows that it attracts. The provision of objective, high quality information is vital for informed decisions by potential foreign investors. We will continue to strengthen modalities, including through multilateral agencies' efforts, to enhance and improve information regarding a country's economic situation and outlook. The information provided by credit rating agencies, which is also useful for public sector policy makers, should thus be based on broadly accepted, objective and transparent criteria.

→ The EU has some questions on some proposals and will revert.

21. We will continue to explore measures to lower the cost of workers' remittances through increased cooperation between the originating and receiving countries. We will explore avenues for taking fuller advantage of the opportunities provided by remittances to not only satisfy families' consumption needs but also to foster broader access to financial services and savings and promote development goals. We also need to be mindful that these are private flows over which governments do not have direct control.

→ The EU would like to stress the importance of this paragraph – The collection of better data on this issue should be encouraged.

## International trade as an engine for development<sup>1</sup>

### General Comments

#### Need to redraft the text in a general way and based on the Monterrey consensus

- The EU is committed to a successful ambitious, balanced, comprehensive and development oriented outcome of the WTO Doha round and for a universal, rule-based, open, non-discriminatory and equitable multilateral trading system; this requires a commitment of all partners in this respect.
- The link between trade and its positive contribution to development should be better stressed, especially in national development strategies. Nevertheless, trade alone cannot cover all the need of developing countries.
- Two aspects are also to be taken into account: the importance of local and regional aspects of trade, including regional integration; the broad role of Aid for Trade.

22. We recognize that international trade is inextricably linked to economic growth and development and that a universal, rule-based, open, non-discriminatory and equitable multilateral trading system as well as meaningful trade liberalization, can substantially stimulate development worldwide. We are encouraged to see that international trade, especially the trade of developing countries and countries with economies in transition, has expanded at a fast pace in the current decade. Trade among developing countries has now become one of the most dynamic elements in world trade. However, a considerable number of developing countries, including many LDCs, have remained at the margins of these developments.

23. A major challenge persists. The Doha Round of multilateral trade negotiations has not been concluded, jeopardizing a continued dynamic expansion in the exports of developing and transition economy countries, as well as adding to the risk of a slowdown in the global economy. We will strive for a successful, early and truly development-oriented conclusion of the Doha Round that ensures fair, balanced, and equitable market-opening commitments.

→ The paragraph should better highlight what has already been achieved.

24. We recognize the need to make progress in key areas of the Doha Development Agenda that are of interest to developing countries, *inter alia*: increased market access for manufactures and agricultural products, substantial reduction and elimination of subsidies, facilitating technology transfer, effective provisions for special and preferential treatment, opening of markets to services from developing countries, and affording sufficient policy space.

→ Reformulate in a balanced way and with agreed language.

25. We acknowledge that the optimum pace and sequence of liberalization depends on the specific circumstances of each country, and that its costs and benefits must be weighed carefully in each case. It must be complemented by expansion of productive

<sup>1</sup> This section will be reviewed in light of ongoing negotiations.

capacities, development of human resources and basic infrastructure, access to technology and adequate safety nets. A positive impact of liberalization on development also depends to a large extent on appropriate actions, including predictable access to markets, eliminating abuse of anti-dumping measures, reduction of tariffs and non-tariff barriers and avoidance of measures that distort trade.

26. We recognize that LDCs will require special measures and international support to allow for a more gradual and effective adjustment to an open and competitive global economy. International financial institutions, including regional development banks, should provide them with all possible assistance in this regard. We renew the call to developed countries and other countries in a position to do so to provide duty-free and quota-free access to all products from LDCs. We will also redouble efforts to provide technical assistance to low-income developing countries who request it, in order to enable them to participate effectively in the multilateral trade system, including through the Enhanced Integrated Framework and by providing support to allow LDCs to participate effectively in international trade negotiations.

27. Aid for Trade is a vital component of the measures required for developing countries to effectively benefit from the Doha Round. Aid for Trade is not a substitute for a successful outcome of the DDA. We will strive to substantially enhance Aid for Trade to support efforts of recipient countries to take advantage of new trade opportunities and assist them in addressing trade liberalization adjustment measures. A critical aim of Aid for Trade should be to enhance competitiveness and ownership while aligning it with the respective national development strategy. The commitments by individual donors relating to Aid for Trade should be fully implemented.

→ Aid for trade is a very important initiative, which is not linked exclusively with the conclusion of the Doha round. Aft can help enabling DCs to cope with obligations arising from the multilateral trading system, but also to address constraints on their trade potential and to compete in local, regional and global markets.

28. Broader and effective participation of countries in the international trade regime is a key objective of the Monterrey Consensus. We will endeavour to facilitate the accession of developing countries and countries with economies in transition that apply for membership in WTO.

→ The text should be precise in its last sentence: the accession is made on a case-by-case basis.

29. We recognize that regional integration as well as bilateral trade agreements can be important instruments to expand trade. We should ensure that these agreements promote long-term development and become "building blocks" in the multilateral trading system. International support to South-South cooperation in trade and other areas can be catalytic in strengthening and consolidating regional and sub-regional integration. We will seek to enhance that support, including through triangular cooperation.

→ The key issue remains a comprehensive trade round. Regional Free Trade Agreements (FTAs) should be complementary, not contradictory, to multilateral efforts as they promote deep regional integration beyond multilateral rules. Regional FTAs should be encouraged and supported, together with broader efforts to strengthen regional stability and management of common problems.

30. We welcome the outcome of UNCTAD XII held in Accra, Ghana 20 – 25 April 2008. UNCTAD has an important role to play as an institution with universal membership and mandate to serve as the focal point of the United Nations for the integrated treatment of trade and development and the interrelated issues of finance, investment, technology and sustainable development.

## Increasing international financial and technical cooperation for development

### General Comments

The Doha conference is taking place in a different context than the one in 2002. In particular, the aid architecture has changed dramatically. This evolution should be borne in mind for the formulation of the chapter.

Some issues should be taken into account: Gender equality and empowerment of women, aid allocation, environmental issues, adapting aid to the different situations and needs.

31. We reaffirm the crucial role of Official Development Assistance (ODA) in supporting development and facilitating the achievement of the IADGs, including the MDGs. ODA is particularly important for the countries of Africa, LDCs, LLDCs and SIDS, and it also often constitutes a critical element in peace building efforts. We are encouraged by good practices carried out to strengthen the partnership between developing and developed countries based on the principle of national ownership and leadership.

→ ODA plays an essential role as complement and lever to other sources of financing for development.

32. We are encouraged by the recovery of ODA from its declining trend before the Monterrey Conference. Since the Conference, there has been a significant turn-around in the overall volume of aid flows. ODA in real terms doubled between 2001 and 2007. However, we note with concern the overall decline in ODA in 2006 and 2007 and that a significant part of this doubling of aid in the previous period comprised growing debt relief. The aid absorptive capacity of developing countries has increased significantly as a result of their improved domestic policies. We are encouraged that some donor countries have already made ODA commitments, such as the EU for 0.56% of GNI for ODA by 2010 and 0.7 % by 2015. We also welcome reaffirmed targets by the G-8 countries in Hokkaido, Japan, to increase their ODA to \$130 billion by 2010. The full implementation of these targets is vital to substantially boost the resources available to push forward the international development agenda.

→ - The EU recalls its commitments.  
 - The accuracy of the data about G8 should be checked.  
 - The EU has some interrogation to the reference to “absorptive capacity”.  
 - The positive role of debt relief could be underlined.

33. We recognize that major efforts are still needed for achievement of the IADGs, including MDGs. Developing countries must formulate and implement effective national development strategies and the international community must increase its

support substantially. To reach their agreed timetables, developed countries should take urgent measures to raise the rate of increase of aid disbursements. It is equally important that countries that have not already formulated timetables or reached 0.7 % of GNI as ODA do so. We once more urge all developed countries that have not yet done so to make definite efforts to achieve the target of 0.7 % of GNI as ODA to developing countries, including the specific target of 0.15 % to 0.20 % of GNI for LDCs, by 2010. Addressing the current high food and energy prices and implementing climate change-related actions carries a deep developmental connection and makes it ever more urgent to fully meet all the pre-existing cooperation targets. This will require considerable additional resources.

→ The EU supports generally this paragraph – dates should be checked.  
The last sentence could be reformulated (“financial flows”).

34. We also welcome increasing efforts by recipient and donor countries to make ODA more effective. The High-level Forums on Aid Effectiveness, which produced the 2005 Paris Declaration and this year’s Accra Agenda for Action, are critical steps forward in this regard by stressing the fundamental roles of ownership, alignment, harmonization, managing for results and mutual accountability. Full implementation of these principles should contribute to more effective and efficient aid delivery and greatly improved outcomes. We will similarly enhance overall efforts to improve the quality of aid, including by untying aid, increasing budget support, streamlining conditions, and making aid more predictable.

→ The EU strongly supports the principles of Aid effectiveness and believes that this paragraph could be updated in light of the outcome of the Accra Conference.  
It is important to recall the need for a mix of instruments (not only budget support) tailored for the needs and situations of countries.

35. We note that the aid architecture has significantly changed in the current decade. New official and non-official donors and novel partnership approaches, which transcend the traditional donor-recipient modality, have emerged. The flow of resources involved continues to increase significantly. This underscores the need for alignment, harmonization, coordination and ownership. We shall pursue efforts, both in the United Nations and in collaboration with other relevant institutions, such as, in particular, OECD/DAC, to advance cooperation among this growing community of partners. We shall also strive to provide technical assistance for the incorporation of good aid policies by recipient countries in their national development strategies.

→ Support reference to the broad participation of new donors to the aid effectiveness principles.

36. This increasing complexity of aid flows and the large number of new donors have made the task of tracking and assessing such flows more difficult. There is a growing need for more concrete and universal ways to keep track of aid quantity, quality and effectiveness, giving due regard to already existing schemes and peer review mechanisms. We invite the United Nations system, the World Bank, regional development banks and OECD/DAC to consider developing a joint proposal in this regard.

→ The EU recognizes the increasing complexity of aid flows and the challenges it entails, but reserves its views on the end of the paragraph.

37. Aid can play a catalytic role in removing constraints to growth such as enhancing social and physical infrastructure, technological innovation, empowering women and combating pockets of poverty. Aid can also be an important factor in triangular cooperation schemes that reinforce South-South cooperation. We will explore new and more effective assistance modalities to enhance the catalytic role of aid, in particular for LDCs. We will also seek innovative ways of better targeting middle-income countries. Regional cooperation could also be strengthened as an effective vehicle for mobilizing resources for development, *inter alia* by strengthening and developing regional financial institutions to assist in upgrading critical sectors.

→ The EU would favour a distinction between triangular and south/south cooperation – which play different role.  
The need to have aid adapted to the diversity of situations could be stressed.

38. We welcome the considerable progress made since the Monterrey Conference in the area of innovative sources of finance. Due to the initiatives by the “Group for Action against Hunger and Poverty” and, later, the “Leading Group on Solidarity Levies”, a number of new innovative financing sources have become a reality, or are in an advanced stage towards implementation, such as, *inter alia*, the International Financing Facility for Immunization (IFFIm), advance market commitments, and the airline ticket solidarity levy, which finances the international drug purchase facility UNTAID to help combat AIDS, tuberculosis and malaria. We acknowledge that these funds should be additional to, and not a substitute for, official development assistance and they should not unduly burden developing countries. We recognize the value of continuing consensus-building on current initiatives while further exploring and evaluating the validity of other proposed innovative sources of finance by governments, non-governmental organizations and civil society.

→ This paragraph is important for the EU – a lot of initiatives have been taken since Monterrey. The EU will revert later

39. We underline the importance of the role of the United Nations system through its operational activities in delivering effective capacity-building support for development with long-term sustainability. This is particularly important for LDCs. Given that the level of core funding inevitably affects the ability of the United Nations system to fulfil this mandate, we urge donor countries and other countries in a position to do so to substantially increase their voluntary contributions to the core/regular budgets of the United Nations development system.

→ The EU very much support the efforts made by the UN system to improve the coherence of its action towards delivering capacity building support for development through its operational activities. Progress made should be highlighted.

40. The multilateral development banks, including the World Bank, regional and sub-regional development banks and other financial institutions, have proven that they constitute a key source of financing for development. They provide strategic resources

in the form of technical assistance for areas such as institution building and promotion of good governance practices, and play an important role in enhancing the integration of developing countries in the world economy and in supporting regional integration and other cooperation efforts. We will endeavor to strengthen these institutions and increase their funding as part of the measures for further implementation of the Monterrey Consensus.

→ The EU has some questions on this paragraph: the primary role of these institutions is not to provide technical assistance.

## External debt

### General Comments

One of the most important challenges remains **debt sustainability**, which concerns **all actors** – the text should stress this issue in a balanced way and also take into account the necessity of sound debt management.

The text should refer more positively to the positive effects of debt cancellation: the resources obtained by debt cancellation can be used to implement MDGs

### The EU will come back later with additional comments

41. We welcome the progress that debt indicators of developing countries as a whole have shown since the adoption of the Monterrey Consensus. Debt relief under HIPC and MDRI initiatives and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives such as the World Bank/IMF's Debt Sustainability Framework, have contributed to achieving such progress. Borrowing countries have also enhanced their debt management programmes and many have built reserves, thus reducing vulnerabilities.

→ The EU, on a preliminary basis would like to make three comments at this stage. The text should:

- Better underline the positive results coming from debt cancellation
- Recall the need that all creditors have to share responsibility and contribute according to the comparability treatment principle.
- Recall the need for enhanced democratic oversight both of debt to be contracted and the use of resources freed up by debt relief.

42. We recognize that important challenges remain. Debt service in a considerable number of low and middle-income countries is still too high. The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures. There is concern about increasing vulture fund litigation. In addressing these situations, we need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is

the ultimate objective of debt resolution and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; to promote responsible lending practices, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.

- - The EU wishes to underline the importance to commit against vulture fund litigation.
- The EU will revert on some of these issues.

43. The number of creditors to developing countries and countries with economies in transition has grown, in light of an increase in new official and private creditors. We will seek to enlarge creditor coordination to reduce risks of debt overhang in borrowing countries and to improve interaction among all relevant actors during debt renegotiations. In those renegotiations, we agree that all relevant actors will pay special attention to the need to respect debtors' policy space, in particular the room for investments in infrastructure, and measures linked to attaining the IADGs, including the MDGs.

- The EU has difficulties with the reference to policy space, which includes a number of concepts that the EU will have to review carefully as their meaning and implications is not clear.

44. Technical assistance to address debt problems can be crucial for many countries, in particular those facing acute structural problems, those seriously affected by climate change and those emerging from conflict. In spite of existing debt relief initiatives, many developing countries still continue to face obstacles to achieving debt sustainability and might require special assistance. We underline that sound macro-economic policies and public resource management are key elements in reducing national vulnerabilities. We will redouble efforts to provide them with the needed technical help, including specific legal training to help countries faced with external debt litigation. The Bretton Woods Institutions and UNCTAD should continue to play a major and increasing role in this field. Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analysing debt sustainability. Increased transparency and information-sharing are needed in the choice of debt service scenarios and construction of debt indicators, including sufficient consideration of the domestic public and private debt situation and achieving development goals. Also, for these countries, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability.

- -The EU would like to stress the following points:
  - it is important to reaffirm more clearly that preserving long-term debt sustainability is a shared endeavour of lenders and borrowers.
  - the debt sustainability framework should refer to the DSF of the IMF and WB, which use should be widespread by all creditors.
  - the need for all creditors and debtor countries to provide transparent, reliable and up to date information on debt stocks and new loans to low-income countries should be highlighted.
  - the reference to the necessity to take into account the vulnerability of countries to exogenous shocks is acceptable.

45. We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt and this is creating new vulnerabilities. We note the need to address this situation, including by improved data collection and analysis.
46. We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad-hoc forums with technical support from the BWIs and the United Nations, to consider *inter alia*, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.

→ The EU is not in favour of the creation of new mechanisms to deal with the issue of debt restructuration/arbitration, ignoring the existing ones – the EU proposes thus to delete the paragraph.

### **Addressing systemic issues; enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development**

#### **Preliminary General Comments**

#### **The Eu will revert later on this chapter**

Systemic issues are of great importance in the context of globalisation and changing landscape, *inter alia* with new emerging issues. The EU is committed to support the multilateral international framework in the economic and financial area, taking fully into account the new global context and emerging challenges. In this regard, for example, the EU recognizes the need to increase the voice and participation of developing countries and is open to further dialogue.

The EU would like to stress that trade aspects should be taken into account also in this chapter (e.g., better integration of the countries in the negotiations).

47. Despite several efforts, progress in addressing systemic issues since Monterrey has been limited. We resolve to undertake more decisive and timely steps to improve the functioning of the international economic system to promote global growth and to better support development efforts. This is crucial for an integrated implementation of the Monterrey Consensus and to help achieve the IADGs, including the MDGs.

→ The text should better reflect the fact that the efforts are ongoing and that some results have already been achieved, even if efforts are to be developed.

48. The globalization process has continued to accelerate, bringing closer economic links coupled with significant economic benefits to many countries and peoples. However, this process is leaving behind a considerable number of countries as well as individuals. This implies new challenges and demands on the global economic institutions and their coherence and governance systems.
49. Countries should continue to enhance macroeconomic policies and strengthen their financial system. It is equally important that international development institutions and developed countries tailor their international economic policies more in line with

the needs of both low-income and middle-income countries. Improved coordination among the relevant ministries and institutions in both developed and developing countries, remains necessary for a coherent formulation and effective implementation of policies at all levels.

→ The EU has interrogations on the meaning of the whole.

50. The foundations of stable international financial markets rest on sound macroeconomic and financial policies. Solid financial institutions at the country level are an essential pillar of a well-functioning international financial architecture. It is crucial, in particular, that countries with large economies manage them in ways that contribute to global stability and economic growth.

→ The reference to stable international financial markets, to solid institution at country level, and the call to countries with large economies to manage them in ways that contribute to global stability and economic growth (respect of common rules, framework...) should be kept.

51. Enhanced financial information and transparency in the financial operations of public and private financial institutions, particularly banks, are key elements for a well functioning international financial system. National regulators should enhance financial information and transparency at the domestic level. We will further endeavor to strengthen cooperation among national regulators to adopt adequate common standards, as financial resources flow increasingly across borders.

→ The reference to transparency in the financial operations and cooperation among national regulators should be kept.

52. The emergence of new and highly globalized financial instruments is changing the nature of risks in the world economy. It is important that regulatory agencies in cooperation with the IMF, the Financial Stability Forum (FSF) and other agencies, both public and private, examine the factors that might increase systemic risks and trigger systemic crisis, in particular the various unregulated activities in international financial markets, with a view to assess whether further regulation at the national and international levels is necessary.

→ The importance of the need to strengthen the monitoring and prevention means of international financial crisis should be strengthened as well as the need for coordinated efforts.

53. We reaffirm that the Bretton Woods Institutions should be the key pillars of a strengthened international financial architecture. They should have the capacity to deal with the management and swift resolution of financial crises in a manner that elicits and facilitates international cooperation. We will undertake measures to ensure that the BWIs have the technical capacities, credit facilities and financial resources necessary to assist countries in preventing financial crises and helping them to deal with the adverse effects of large fluctuations in the price of key commodities. The need for special drawing rights allocation should be kept under review.

54. Regional development banks are key actors in supporting development and furthering regional integration efforts. They play a vital role in the respective regional governance structure. We must ensure that they have the necessary resources to

accomplish their tasks. Other regional cooperation frameworks such as financial and monetary arrangements that complement the international financial system can be instrumental in fostering development and financial stability among its members. We encourage those arrangements as they facilitate financial flows, lower transaction costs, serve as mechanisms that assist in the prevention of financial crises and render parties of such arrangements more resilient.

→ Regional component is important, in the wider context of global common rules, frameworks and structures.

55. Credit rating agencies play a significant role in the provision of information, including assessment of corporate and sovereign risk. The systemic role of the major bond rating agencies in the lead-up to the latest financial crisis has stimulated an international discussion about the need for more transparency and reduced conflict-of-interest in operations. We recognize the need to establish an appropriate, inclusive process to consider measures aimed at improving agency oversight and increasing their accountability and transparency.

56. Most efforts in the formulation of standards and codes have taken place outside the multilateral system. It is crucial to ensure an effective and equitable representation of developing countries in standards and norms-setting bodies. While these bodies have increased consultation with some countries, more should be done to broaden the participation. We recognize that the implementation of standards and codes in developing countries with less advanced financial systems should be flexible.

57. We recognize that changes in the governance regime of the global economic and financial institutions are needed. The agreement regarding the recent quota review in the IMF is a step in the right direction, yet greater efforts need to be exerted to increase the voice and participation of developing countries on the board. It is also important to examine conditions by which only a few members can at times block key decisions. The World Bank and other entities such as the FSF and the Basel Committee should consider taking similar steps to achieve a more equitable participation of all members of the international community; the same applies to other bodies engaged in international economic decision-making.

→ The EU supports the principle of reform but reserves its position on the way it is formulated in the second part of the paragraph.

58. Taking note of recent proposals, we acknowledge the need to convene a major international conference to review the international financial and monetary architecture and global economic governance structures. We thus invite the International Monetary and Financial Committee to include this subject in the agenda of its next meetings, and to make appropriate recommendations to the IMF Board of Governors and the international community.

→ General reserve.

## Other new challenges and emerging issues

### General Comments

**At this stage, the EU will only give preliminary comments and will revert later.**

The EU highlights the importance of Climate change, sustainable energy systems and energy security, food security. The EU believes that these issues are of great importance in the outcome document.

Gender is not a new challenge or an emerging issue but a remaining challenge that should receive due attention.

59. We recognize that multiple challenges have emerged in eradicating poverty, achieving sustained economic growth and promoting sustainable development. Some of these key challenges the world community faces today include: substantial and persistent global imbalances, volatile capital flows and unstable exchange rate markets, large and abrupt price fluctuations in international markets of key commodities, slowing global economic growth, increased costs from damage to the earth's environment and climate change. We reaffirm our resolve towards concerted global action to address all these areas, while consistently furthering economic and human development for all.
60. The concern of the international community with climate change has increased markedly since the adoption of the Monterrey Consensus. Ongoing and potential responses to tackle this phenomenon have major development implications. We agree to address such implications in a timely and decisive way. We *inter alia* resolve to address the financing needs for the mitigation and adaptation to climate change in developing countries in the context of sustainable development, in particular, within the structure of the United Nations Framework Convention on Climate Change (UNFCCC) and the process leading to the UN climate change conference scheduled for the end of 2009 in Copenhagen (COP-15). We commit to respond to the additional financial requirements that meet these new challenges with appropriate, concrete international cooperation measures and policies. Concerted efforts to address climate change should promote increased trade in environmental goods and not result in environmentally based trade distortions. We should facilitate the transfer of low-carbon technology to support economic development efforts.

→ The EU will revert on this issue.

61. We also underscore the special challenges emerging from international commodity markets, particularly the abrupt rise in food and energy prices. We will mobilize additional multilateral and bilateral resources to assist developing countries, particularly the least developed and those that are most affected by high food and energy prices, in coping with the consequences of these higher prices, while at the same time recognizing the necessity of a substantial expansion in food production. We reiterate that the global food crisis has multiple and complex causes and that its consequences require a comprehensive and coordinated response in the short, medium and long term by national governments and the international community. We also take note of the establishment by the Secretary General of the High-Level Task Force on

the Global Food Crisis and encourage its continued engagement with member states of the United Nations.

62. We reiterate the need for gender mainstreaming into the formulation and implementation of development policies, including financing for development policies, by all stakeholders of the Monterrey Consensus. It is also necessary that, when designing and implementing development strategies, due and full attention be paid to overall social development concerns and goals, including the social development aspects contained in the outcomes of major United Nations conferences and summits in the economic and social fields.

63. In middle-income countries, substantial pockets of poverty persist. We acknowledge the efforts to bring to light the particular development challenges faced by middle-income countries at the conferences held in Spain, El Salvador and Namibia on international development cooperation with Middle-Income Countries. We encourage the United Nations system, BWIs and all other stakeholders to enhance their role in addressing the special developmental needs of these countries.

→ The scope of this paragraph is too narrow. The issues of poverty, inequality, vulnerable groups deserve wider attention.

## Staying engaged

### General comments

The EU supports the need for a strong follow-up of the Monterrey Consensus and Financing for Development process within existing mechanisms.

64. We recommit to keep fully engaged, nationally, regionally and internationally, to ensure proper follow-up to the implementation of the Monterrey Consensus and the Doha Outcome Document, and to continue to build bridges between all relevant stakeholders, both institutional and non-institutional, within the holistic agenda of the Financing for Development process.

65. A robust and credible process of follow-up is critical to continued progress in the Financing for Development process. We acknowledge the need to consider and set up, as appropriate, a more effective intergovernmental structure to carry out this task with the support of the Financing for Development Office, taking into account various proposals that have been put forward in this regard. We request the Economic and Social Council to consider these proposals in depth at its 2009 spring High-level meeting with the international financial and trade institutions, with a view to making appropriate and timely recommendations for final action by the General Assembly.

66. We will consider the need to hold a follow-up conference by 2013.

