PRELIMINARY COMMENTS ON THE TEXT OF THE FIRST DRAFT (OF 25 JULY 2008) OF THE OUTCOME DOCUMENT FOR DOHA REVIEW CONFERENCE ON FINANCING FOR DEVELOPMENT

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I. Introduction

This Informal Note provides a set of preliminary comments on the first draft text of the Draft Outcome Document (DOD), dated 25 July 2008, for the Doha Financing for Development Review Conference. The document has been posted on the UN website at http://www.un.org/ga/president/62/letters/ffdfinal280708.pdf. It is structured in two parts: (i) a set of general comments on the overall structure and content; and (ii) some specific comments on various paragraphs.

It is hoped that this Informal Note will be of use to developing countries in their preparations for participating in the Doha Review Conference in November 2008.

II. General Comments

From a close reading of the DOD first draft text, the following general comments can be made:

- The text does not convey any sense of the urgency with which the continuing development challenges facing the global community, in particular developing countries, that underlie the international debate on financing for development must be met;

- It does not provide a critique of the global systemic development challenges that countries, in particular developing countries, continue to face, such as global macroeconomic policy failures, the lack of a strong international financial regulatory architecture, the failure of development cooperation (including both aid and debt relief) to effectively deliver on development, and the lack of a coherent global institutional and policy architecture to promote development;

- It does not provide suggestions for how to remedy the failures of the existing global economic architecture and policies;

- It does not identify global economic governance mechanisms and associated global economic policies to promote and support the increase in development policy space and flexibilities for developing countries;

- It continues to promote the Bretton Woods institutions as core global economic policy institutions without mentioning their continuing governance problems and their ineffectiveness in meeting the current global economic and financial challenges;

- There is virtually no mention of the central role that the UN system and its agencies – such as UNCTAD, ECOSOC and the DCF – can and should play in the financing for development debtate;

- It does not provide for a fresh new global mandate to further strengthen the implementation of the Monterrey Consensus and to embark on new global initiatives to reshape the global economic governance architecture.

III. Some Specific Comments

Below are some paragraph-specific comments on the first draft. Additional comments may be provided as appropriate in future instances:

Paragraph No.	Specific Comments
2	There is no reference to the need for development policy space to be promoted and reflected in any "global partnership for development" towards the achievement of the MDGs and IADGs.
3	This paragraph is very broad and anodyne. It does not present a full and clear picture of the systemic problems (both policy and institutional) that need to be addressed and the global principles that need to be pursued (such as equity, policy space) to properly address development challenges.
16	The 3rd sentence reference to "developed countries can also encouraged private flows to developing countries …" is couched in language (e.g. the use of the word "can") that does not provide any normative value at all -- i.e. it is just a recognition of what can be done rather than constituting a proposal on what should, ought, or must be done.
21	The text on workers' remittances provides only the positive picture with respect to the economic effects of labor migration. It lacks a balancing perspective in terms of the development implications of lost human resources investments in and braindrain (resulting in, for example, skills shortages) of skilled persons from developing countries moving to other countries. There should be a reference to the need for the international community to ensure that developing countries are supported in providing adequate employment opportunities for their people – thereby eliminating the need for labor migration – through an international economic policy framework that supports developing counties' sustained and sustainable development.

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23	There is a major conceptual problem in this paragraph. It assumes that the WTO Doha trade negotiations as they are currently will result in a “continued dynamic expansion in the exports of developing and transition economy countries.” Many studies are now indicating that the numbers that are being negotiated currently in the WTO would fall short in terms of actually providing increased market access for developing countries. Trade gains under many projections (ranging from academe such as Tufts University, NGOs such as Carnegie Endowment, and multilateral institutions such as World Bank) furthermore are likely to go for the most part to developed countries. The last sentence in this paragraph suggests that the objective of the Doha negotiations is to arrive at “market-opening commitments.” This is only partly true. Beyond simply “market-opening commitments”, the Doha negotiations are supposed to “place their needs and interests at the heart of” the negotiations, such that developing countries should be provided with enhanced market access for their exports (including the removal of trade barriers in developed countries); have balanced rules and commitments (including the elimination of agricultural subsidies in developed countries); adequate and appropriate policy space and flexibilities (such as integration of special and differential treatment in the outcomes for each negotiation issues); redress of the trade regime imbalances against developing countries coming from the Uruguay Round agreements; and well targeted, sustainably financed technical assistance and capacity-building programmes. Finally, a reference needs to be made to the suspension of the WTO negotiations last Tuesday. The collapse reflects a deep divergence between developed and developing countries over the development role of trade, with the former prioritizing their commercial market interests and the latter prioritizing on enhancing the development context of trade agreements. The FFD document needs to stress that the collapse can be attributed to the fact that the negotiations have been flawed in terms of both process and substance. The negotiating process was exclusive and undemocratic. In substance, the talks provided reverse preferences to the countries that are already developed and industrialised. As long as the development component of the Doha Round does not become its central concern and focus, as it was so stated in the Doha Ministerial Declaration, it will continue to fail. Trade is not an end; it is a means to development. If the WTO continues to promote trade liberalisation for the sake of liberalizing trade, it will not be able to contribute effectively towards addressing global development challenges. The WTO must put trade to the service of development.
29	There is no reference in this paragraph to the existence or the development implications of North-South trade and investment agreements, when in fact such North-South agreements, as a result of initiatives from developed countries, are increasingly becoming prominent.
33	The next to the last sentence of this paragraph does not mean anything. It would be better to rephrase it (and the last sentence) as “The food, energy and climate

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	crises are essentially developmental challenges. Addressing these effectively will require not only meeting pre-existing ODA targets, but also considerable new and additional resources outside of ODA to developing countries."
34 to 37	In all of these paragraphs relating to aid, there is completely no reference to the need to assess aid effectiveness on the basis of whether aid has actually delivered on development as indicated by the fact that the aid recipient would no longer require aid. There should be a reference and a mandate provided, especially in the context of aid effectiveness and aid architecture discussions, to start up discussions on how appropriate development-based and recipient country-owned aid exit strategies could be developed to, inter alia: (i) strengthen recipient countries' development processes with a view to developing domestic development financing self-reliance; (ii) eliminate aid that is focused on effecting economic and governance policy changes in recipient countries (but humanitarian aid or aid in support of global public goods such as climate change adaptation or mitigation should not be affected by aid exit).
36	The lack of a reference to the UNECOSOC Development Cooperation Forum (DCF) in this paragraph may have adverse implications on the future effectiveness and role of the DCF vis-à-vis aid effectiveness issues. In this regard, any joint proposal relating to aid effectiveness should be addressed to the DCF so as to give it a future substantive policy coordinating role as an ECOSOC body. The DCF's institutional role should be highlighted in this paragraph.
40	This paragraph does not at all reflect the development failures in many developing countries that the World Bank, the IMF, and the regional development banks – all pushing Washington Consensus-based policy reform agenda – have been responsible for due to the lending and grant conditionality practices. Furthermore, the World Bank is no longer a "key source" of financing for development, since net resources transfers from the World Bank have been negative for a number of years now (i.e. more repayments are being made than the Bank is disbursing as lending or grants).
41	It is not clear whether the existing debt sustainability framework has actually contributed to effectively addressing the debt problem.
42	There currently are no "international debt resolution mechanisms" that have been established on a permanent institutional and multilateral level. Rather, what exists are ad-hoc mechanisms, such as the Paris Club, created and controlled by the creditors and developed country governments.
44 and 46	There is no critique relating to the need to move away from existing debt sustainability frameworks to a "debt exit framework." Furthermore, paragraph 46 in particular implicitly suggests that only the BWIs can provide technical support to any new ad-hoc forums created to address issues relating to external debt (it does this by putting a full stop after "BWIs"). This effectively provides the BWIs with a gatekeeper role in terms of such forums and ensures that the BWIs, despite their records in terms of having helped create external debt problems in many developing countries, would continue to play a central role in trying to find solutions to such problems. This could effectively hamper the generation of new and innovative ideas such as on the conduct of debt audits relating to developing countries' illegitimate or odious debt or the development of a debt exit strategy

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	for developing countries.
52	There is no reference at all in this paragraph to the need for a stronger multilateral regulatory framework for the global financial system.
53	This paragraph seeks to place the BWIs at the heart of a strengthened global financial architecture, even if the World Bank is not supposed to be a financial regulatory institution and even if the IMF's ability to be a multilateral financial system surveillance institution remains in doubt due to both institutional and policy constraints. This paragraph implicitly marginalizes the UN – especially the ECOSOC which is, under the UN Charter, supposedly the body of the UN designed to cover global economic (including financial) regulatory issues. In doing so, it favours strengthening of institutions controlled by the developed countries rather than strengthening the UN.
57	The IMF's recently approved changes in voting rights – resulting in a minuscule increase in voting rights for some developing countries without really affecting the continuing voting rights dominance of developed countries – can hardly be held up as a shining example or template for the reform of the World Bank and other international economic decision-making institutions such as the WTO, FSF, and Basel Committee in terms of institutionally enhancing the effective participation and influence of developing countries in these institutions. A stronger approach needs to be taken that goes beyond cosmetic changes in voting rights to actually enhancing an equitable and fair share of actual vote and participation by developing countries in institutional governance and policymaking.
58	The invitation to the IMF's IMFC to discuss and recommend to the IMF Board of Governors "the need to convene a major international conference to review the international financial and monetary architecture and global economic governance structures" contained in this paragraph completely sidelines the UN, especially ECOSOC. The UN ideally and properly (under the UN Charter) is the legitimate multilateral body that should take charge of discussing and convening such an international conference. In fact, such a conference should be done pursuant to a UN General Asssembly decision upon the recommendation of the ECOSOC. Giving such a mandate to the IMF would move it beyond its own institutional mandate and, because of developed countries' continuing dominant role in the IMF, ensure that developed countries continue to heavily shape and influence the global financial, monetary and economic governance structures and architecture.
60	The reference in this paragraph to "promote increased trade in environmental goods" possibly brings into the discussion a US and EU proposal (see e.g. Job(07)/193) in the WTO negotiations on environmental goods for the elimination of tariffs on a list of goods that they (the US and the EU) consider to be "environmentally-friendly" and "climate-friendly." The proposal, however, mainly restated their existing positions in the WTO environmental goods and services negotiations and was geared to furthering their access to overseas markets for certain products of their export interest. This proposal has been strongly opposed by developing countries in the WTO for failing to systemically respond to the concerns of developing countries both in terms of product coverage

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	but also in terms of development implications. The proposal would first lead to elimination of tariffs in 43 listed goods (drawn from a list of products proposed by the World Bank) relating to clean and renewable energy technologies (e.g. wind, solar, clean coal, efficient lighting), followed by further trade liberalization of other “climate-friendly” goods pursuant to a negotiated Environmental Goods and Services Agreement in the WTO. However, the list of products proposed by the US and the EU, given their greater technological content, means that they are mainly produced by developed countries. And given their price (due to higher production costs, value added, and royalty payments arising from the embedded intellectual property rights) and technical content, such products may hence be difficult for resource constrained developing countries to acquire or, once acquired, to adequately maintain them using only local technicians and materials – thereby continuing a dependency on developed countries for such products and their associated servicing. Furthermore, tariff liberalization for such products independent of how such liberalization fits into a developing country’s overall development plan has the potential to limit or wipe out the ability of developing country producers to develop sufficient production and competitive capacity with respect to such environmental goods. Such a reference to trade in environmental goods, because of its implications vis-à-vis the WTO negotiations, should hence be deleted.
64	There is no reference at all to the need for all relevant actors in the financial, trade, aid, monetary, and development policy areas to actually work together in a coherent manner.
65 and 66	These paragraphs do not provide for a clear and unambiguous mandate in terms of any follow-up process after the Doha conference. Paragraph 66 in particular does not provide a clear mandate that a follow-up conference will actually be held by 2013. Instead, the decision on whether such a conference will be held is left for future consideration, without any timelines as to when such consideration will take place nor specific actions that need to be taken by specific actors leading up to such consideration.

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