

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

14. **We recognize that private international capital flow, particularly foreign direct investment can be a vital complement to national and international development efforts.** ~~welcome the rise in private international capital flows to developing countries since the Monterrey Conference. At the same time,~~ **We need to ensure that international capital flows genuinely assist development efforts and in this regard encourage flows like foreign direct investment rather than volatile short term capital flows.** We will ~~try to~~ substantially broaden the number of countries and sectors receiving such flows, **as well as take measures to ensure international financial stability.** Special efforts should be undertaken at the national, bilateral and multilateral levels to increase private capital flows **to developing countries**, particularly foreign direct investment to **address the social, economic and developmental needs of developing countries to African countries**, , the least developed countries, landlocked developing countries, and small island developing States, **including through the provision of technical, financial and other forms of assistance, promotion of and strengthening of partnerships and cooperation arrangements at all levels.** We also consider that it is necessary to reverse the net outflow of financial resources from developing countries. We emphasize the importance of orderly and well sequenced measures in regulating capital flows. We also underline the importance of addressing the constraints of low income developing countries in attracting these private flows.

14.bis. **We also appreciate the growing importance of South-South capital flows and their role in increasing investment in developing countries. We support measures to further strengthen these flows, while recognizing their distinct and complementary nature to North-South capital flows.**

15. The support **by the international community in promoting resources mobilization** is critical. **We should enhance efforts** ~~Developing countries and countries with economies in transition should enhance efforts~~ to mobilize investment in transport, **energy**, communications and other ~~physical and social~~ infrastructure that serve to strengthen their ~~business environment~~ **and competitiveness in developing countries and countries in transition.** ~~of bilateral and multilateral partners in this task.~~ **We also recognize the importance of sharing best practices in promoting and attracting private investment in infrastructure.**

16. Experience of ~~recent years~~ has shown that providing an enabling ~~business~~ **domestic and international** environment is fundamental to fostering ~~domestic and foreign~~ private investment. We will continue to put in place transparent **and** appropriate ~~and enforceable~~ regulations **at the national and international levels.** **We agree that developed countries should provide concrete incentives to companies investing in developing**

countries in order to encourage private flows to these countries, where appropriate. mitigate There is also a need to enhance the tools used by multilateral and bilateral donors to mitigate the risks faced by business investors. **In this regard, increased** in critical sectors in developing and transition economies and to devise ways by which official development assistance (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 making efforts to promote South-South investment.

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 **greater** stronger efforts to promote corporate social responsibility and good corporate governance, and seek to **and** ensure that adequate **appropriate** labour, and environmental, **anticorruption laws and regulations** protection standards, are upheld everywhere. We encourage the work undertaken **by** in the United Nations, including **through** 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.

18. We recognize that technology transfer is one of the key factors through which foreign direct investment can impact development. **Such transfers require proactive policies by developed countries to facilitate the transfer of technology to developing countries, including through appropriate incentives to companies owning such technologies.** Such transfer can also be facilitated by the proactive innovation and transfer policies of the host country. **We acknowledge the role that** Public-private partnerships can play **in this regard.** 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.

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. **Paragraph still under consideration**

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. **In this regard, the information provided by credit rating agencies should be based on broadly accepted, strict, objective and transparent parameters. We emphasize the importance of establishing regulatory frameworks to oversee the activities of credit rating agencies, including their accountability.** ~~The provision of objective, high quality information is vital for informed decisions by potential foreign investors. We will continue to strengthen modalities, (need to be clarified) including through efforts of multilateral agencies, including through the United Nations system, to enhance and improve technical information regarding a country's economic situation and outlook. The information provided by credit rating agencies, which is also useful for public sector policymakers, should thus be based on broadly accepted, objective and transparent criteria.~~

21. We will continue to explore measures to lower the **transaction** cost of workers remittances through increased cooperation between the originating and receiving countries.

~~will explore avenues for taking fuller advantage of the opportunities provided by remittances to satisfy not only 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. (Placement to be changed)~~

Increasing international financial and technical cooperation for development

31. We reaffirm the crucial role of ODA in supporting development and facilitating the achievement of the internationally agreed development goals, including the Millennium Development Goals. 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. ~~We reaffirm the crucial role of ODA in supporting development and facilitating the achievement of the internationally agreed development goals, including the Millennium Development Goals. . and it also often constitutes a critical element in peacebuilding efforts.~~ **For many countries in Africa, least developed countries, small island developing States, landlocked developing countries and those emerging from conflicts, ODA is still the largest source of external financing and is critical to the achievement of the development goals and targets of the Millennium Declaration and other internationally agreed development targets.** We are encouraged by good practices carried out to strengthen the partnership between developing and developed countries on the basis of the principle of national ownership and leadership.

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 turnaround in the overall volume of aid flows. ODA in real terms doubled between 2001 and 2007. We note with concern the overall decline in ODA in 2006 and 2007 and that a significant part~~

of ~~the increase in~~ aid **flows** after 2002 ~~in the previous period~~ comprised growing debt relief **and humanitarian assistance**. 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 **established timetables for fulfilling their long standing ODA** commitments. ~~We are encouraged that some donor countries have already made ODA commitments, such as the European Union for 0.56 per cent of gross national income (GNI) for ODA by 2010 and 0.7 per cent by 2015. We also welcome the reaffirmation of targets by the G-8 countries in Hokkaido, Japan, to increase their ODA to \$130 billion by 2010.~~ **We are also encouraged by the fact that some of these countries have met or surpassed** the 0.7 per cent target of GNI for ODA. ~~of gross national income (GNI) for ODA by 2010 and 0.7 per cent by 2015. We also welcome the reaffirmation of 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. **We emphasize that the ongoing financial crisis should not dilute commitment of developed countries for meeting their aid commitments. We also note with concern that there continues to be a net outflow of resources from developing to developed countries, in many cases far surpassing the inflow of ODA.**

33. ~~We recognize that major efforts are still needed for the achievement of the internationally agreed development goals, including the Millennium Development Goals. 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 per cent of GNI as ODA do so.~~ We ~~once more~~ urge all developed countries that have not yet done so ~~to make definite efforts to~~ **take urgent measures** to achieve the target of 0.7 per cent of GNI as ODA to developing countries, including the specific target of 0.15 per cent to 0.20 per cent of GNI for least developed countries, by 2010. **We stress the importance of mobilizing greater domestic support in developed countries towards the fulfillment of their commitments, including through raising public awareness. Further,** addressing the current ~~high food and energy prices~~ **crises** and implementing actions related to climate change carries a deep developmental connection and makes it even **more** urgent to fully meet all the pre-existing cooperation targets, ~~This will require~~ **and provide** the considerable additional resources **that these new challenges demand.**

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 on Aid Effectiveness and the 2008 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.~~

34alt. We recognize that the quality of aid is as crucial as its quantity. We will enhance overall efforts to improve the quality of aid, including by untying aid, providing direct budget support, and making aid more predictable. And in this regard, we call upon the OECD-DAC countries to fully implement their 2001 decision on untying aid, in particular to the LDCs. We recognize recent efforts and initiatives to enhance the quality of aid and to increase its impact, including the High Level Forums on Aid Effectiveness.

35. We note that the aid architecture has significantly changed in the current decade. New official and non-official ~~donors~~ **aid providers** and novel partnership approaches, which transcend the traditional donor-recipient modality, **and have their own importance and particularities, and have enhanced** ~~have emerged.~~ The flow of resources ~~involved continues to increase significantly.~~ **We encourage new aid providers to mobilize, manage and evaluate their international cooperation initiatives. We will strengthen the Development Cooperation Forum of the Economic and Social Council of the UN as a focal point for examining international development cooperation holistically.** 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, the Organization for Economic Cooperation and Development (OECD)/Development Assistance Committee (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.

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.

36alt. We recognize that there is a growing need for more concrete and universal ways to keep track aid quantity, quality and effectiveness. In this regard, we underline the importance of the Development Cooperation Forum and request the SG to submit a report that keeps track of ODA commitments aid quantity, quality and effectiveness, at each session.

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 least developed countries. 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.

37. alt We support South-South cooperation, as well as triangular cooperation, in mobilizing supplementary resources for development. We also recognize south – south regional cooperation as initiatives based on solidarity that can also be an effective modality for mobilizing resources for development. In this regard, we stress that South-South cooperation should be seen neither as ODA nor as a substitute to North-South cooperation, rather as an expression of solidarity and cooperation between developing countries, based on their shared experiences and objectives. It is a development agenda that addresses the particular needs and expectations of developing countries, based on premises, conditions and objectives specific to their historic and political context.

38. We welcome **recognize** the considerable progress made since the Monterrey Conference in the area of innovative **mechanisms** sources of finance. **We further acknowledge that a number of** ~~Due to~~ the initiatives of the “**Technical Group created by the Global Action against Hunger and Poverty**” and, the “**Leading Group on Solidarity Levies**” ~~to Fund Development, 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, **the** advance market commitments and the ~~airline ticket~~ solidarity levies, which finances **health programmes in several developing countries, including** the international drug purchase facility UNITAID to help combat HIV/AIDS, tuberculosis and malaria. We **stress** ~~acknowledge~~ that these funds should be additional to, and not a substitute for, official development assistance and that they should not unduly burden developing countries. **We urge the international community to strengthen** ~~We recognize the value of continuing consensus-building on current initiatives~~ **and explore new** ~~while further exploring and evaluating the validity of other proposed~~ innovative sources of finance by Governments, non-governmental organizations and civil society **while recognizing their voluntary and complementary nature.**

38bis. We reiterate our resolve to operationalize the World Solidarity Fund established by the General Assembly and invite those countries in a position to do so to make voluntary contributions to the Fund.

38ter. We underscore the importance of fostering and strengthening technical cooperation which constitutes an important avenue for developing countries to attain their development objectives. We emphasize the importance of human resource development including training, exchange of expertise and knowledge transfer. Technical assistance for capacity-building which includes strengthening institutional capacity, project management and programme planning is also critical

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 least developed countries.

Given that the level of core funding inevitably affects the ability of the United Nations system to fulfill 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.

~~40. — The multilateral development banks, including the World Bank, regional and subregional 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 the 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 endeavour to strengthen these institutions and increase their funding as part of the measures for further implementation of the Monterrey Consensus.~~

40 Alt. The multilateral, regional and subregional development banks can be a relevant source of financing for development. They can also provide an important contribution in the form of technical assistance and forum for interchange of information on best practices between developing countries. However, these institutions have not been able to fully deliver on their potential. The net outflow of resources from many of these institutions has become negative. We therefore invite these institutions to enhance their financing to developing countries. We will support steps towards this end, including through increased funding for these institutions, as appropriate.

40bis. We note with concern that a large proportion of the world's poor who live with less than 2 a day are from Middle Income Countries and that ODA for MICs has declined significantly in recent years. We recognize that middle-income developing countries still face significant challenges in the area of poverty eradication and that efforts to address those challenges should be supported in order to ensure that achievements made to date are sustained, including through support to the effective development of comprehensive cooperation policies, as well as increased, targeted and substantial technical assistance, and the promotion of new partnerships and cooperation arrangements. We also acknowledge that ODA is still vital for the support of the implementation of national development strategies by these countries.

40ter. We also call for enhanced efforts for the development efforts of low income developing countries in addressing their social, economic and development needs including through the provision of technical, financial and other form of assistance, promotion of and strengthening of partnerships and cooperation arrangements at all levels.

External debt

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 the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives, such as the World Bank/International Monetary Fund (IMF) 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.

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.

41. We note with concern that the total external debt of developing and transition economies continues to increase, while noting that some developing countries have made some progress in their external debt situations since the adoption of the Monterrey Consensus. Furthermore, we recognize that the current economic crisis in the developed world could reverse the current positive trend experienced by some developing countries.

41. bis: Debt relief under the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and other ongoing initiatives, have contributed to reducing official external debts of some countries; however, data on the face value of debt relief gives a misleading impression on the actual change in the value of the external debt of developing countries. We stress the importance of continued flexibility with regard to the eligibility criteria for debt relief under HIPC and MDRI. We note with deep concern that debt relief continues to be financed from ODA despite the commitment in Monterrey that debt relief will be financed from additional resources. While borrowing countries have also enhanced their debt management programmes, and have built reserves, this has not led to reducing their vulnerabilities.

41 ter: We therefore, reiterate the urgent need for the international community to adopt an effective, equitable, durable and development oriented solution to the debt

problems of the developing countries, particularly LDCs, including through total debt cancellation without any discrimination or conditionalities, and support them with increased concessional financial flows.

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, remain donor driven and do not have predictable debt resolution procedures. Further, these mechanisms suffer from conflict of interest between creditors and arbitrators. There is also 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 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.

43. ~~The number of creditors to developing countries and countries with economies in transition has grown, in the light of an increase in new official and private creditors. We will seek to enlarge creditor coordination, under appropriate new mechanism and institutions 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 internationally agreed development goals, including the Millennium Development Goals.~~ **We emphasize that during debt renegotiations, there should be full involvement of debtors and that special attention will be paid** **We are convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in developing countries.**

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 may require special assistance. We underline that sound macroeconomic 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. **Still under consideration**

44bis. We reaffirm the importance of adequate capacities of debtor countries during debt negotiations, debt re-negotiations, and for debt management. In this regard, we agree to enhance technical assistance to developing countries upon request, including specialized legal training in cases of external debt litigation.

44ter We recognize that current debt initiatives do not adequately address the needs of Middle Income Countries and emphasize the importance of continued efforts towards durable solutions to the external debt problem of MICs by enhancing sustainability, debt relief, including debt swap mechanisms, and sustainable debt management of MICs. We urge the international financial institutions to continue to provide technical assistance and support for MICs in working towards building national capacities for debt management.

44quat We welcome the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

44quint We recognize that the current economic crises carry the serious possibility of undoing years of hard work and economic gains made by the low income developing countries. The situation clearly demands bolder and more encompassing initiatives to solve the external debt problems of the low income developing countries in an effective, equitable and development oriented manner. We need to particularly focus on considering debt scenarios in the face of exogenous shocks.

45. We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt, and that this is creating new vulnerabilities. We note the need to address this situation, including by improved data collection and analysis.