Informal summary of the hearings with representatives of civil society and the business sector on financing for development

(New York, 18 June 2008)

Opening of the meeting

1. The hearings were held on 18 June 2008 at United Nations Headquarters as an integral part of substantive preparations for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha, Qatar, 29 November - 2 December 2008). The meeting was opened by the President of the General Assembly, Srgjan Kerim, and co-chaired by Ambassador Maged Abdelaziz of Egypt and Ambassador Johan Lovald of Norway. In his opening statement, the President underscored that the hearings were an important opportunity to listen to the views and concerns of civil society and the business sector and to engage in a meaningful dialogue on challenges related to financing for development. He praised non-governmental stakeholders for their important contributions to the informal review sessions of the General Assembly on the six thematic areas of the Monterrey Consensus and welcomed their further inputs to the draft outcome document of the Doha Conference. The overall message from the review sessions was that progress had been slower than expected. In addition, climate change, food crisis, women's empowerment and the role of middle-income countries came to the fore as issues of major concern to many stakeholders. These challenges would need to be addressed if the Doha Conference were to have a successful impact on financing for development. In the spirit of Monterrey, global partnership among all relevant stakeholders continued to be essential for achieving the internationally agreed development goals, including the Millennium Development Goals.

Civil society

Presentations by panelists

2. **Mr. Vitalice Meja (AFRODAD)** focused his presentation on **"Increasing international financial and technical cooperation for development."** He noted that the official development assistance (ODA) had declined in 2006 and 2007. Moreover, 70% of ODA between 2004 and 2005 was funneled to debt relief and not actual development aid. Donors were off track in delivering on commitments to add at least $25bn of ODA to sub-Saharan Africa. The speaker called on the donor community to pay special attention to the development needs of post-conflict nations. He stressed the need for increased donor accountability, transparent monitoring of development targets, national ownership and an elimination of aid conditionalities. The current international development cooperation framework put recipient countries at a disadvantage on the issue of ownership. The Doha Review Conference should support the use of aid as a public good, not as a tool for political and economic patronage. South-South cooperation could enhance aid predictability and strengthen mutual accountability. Development cooperation should be seen as a "catalyst" to strengthen developing country development efforts. Mr. Meja suggested that the Doha Outcome Document should develop key benchmarks and reform targets for donor countries with regard to aid reform. The outcome document should also come up with a new

structural and institutional framework that would address the strategies, policies and financing of development cooperation as well as promote coherence between the activities of the various development partners. This structure should be placed within the UN system and should receive the necessary political, institutional and financial support to enable it to convene the relevant development actors. Governments and civil society from the North and the South should be equally represented.

3. **Ms. Liddy Nacpil** (Jubilee South) spoke on **"External debt."** She called for delinking debt and debt cancellation from conditionalities. Policy conditionalities that accompanied debt relief and debt cancellation programs such as the HIPC Initiative had negative effects on women, on the impoverished and marginalized, on livelihood and economies and on the environment. Moreover, debt cancellation brought about by HIPC and MDRI needed to be extended and deepened and the debt sustainability framework should be redefined. Many countries were still suffering from huge burden of debts and the impact of losing much needed resources to debt service. There was a need to review and redefine the Debt Sustainability Framework so that it would give centrality to human development goals and human rights. The panelist urged the UN to address the issue of odious and illegitimate debt. She commended Norway for unilaterally cancelling specific debt claims on the grounds that the credit in question was an example of "failed development policy." The speaker called on the UN to develop a common platform or covenant for principled and responsible financing, which should involve not only Member States but also civil society organizations. There was a need for impartial and transparent processes towards resolving debt disputes, where parties were given equal treatment and judgments were based on impartial evaluation of cases. The speaker further suggested that measures should be implemented to address the food and climate crises. However, these initiatives should not be financed through loans in order to avoid the accumulation of unsustainable debt burdens. Finally, she proposed that the UN should take into account linkages between debt, trade and other issues.

4. **Mr. José Antonio Ocampo** (New Rules for Global Finance Coalition and Initiative for Policy Dialogue of Columbia University) made a presentation on **"Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development".** In this context, he highlighted two important areas: the functions of the international monetary and financial architecture and its governance structure. The major deficiency of the current system in the macroeconomic area was the large reliance of the global reserve system on a single national currency, the US dollar. This system was not only inequitable as it conferred excessive privileges to one country in terms of seignorage powers and monetary policy autonomy, but also unstable. The speaker called for a truly global reserve currency and the creation of stronger mechanisms of macroeconomic policy coordination. The Special Drawing Rights of the IMF were, indeed, the only global reserve currency and had so far been considerably underutilized. The major step forward after the Asian crisis was the strengthening of prudential regulation and supervision in developing countries. However, the ongoing US financial crisis highlighted the large regulatory deficit that characterized world finance. Mr. Ocampo suggested that a counter-cyclical focus should be built into world financial regulation, a truly global regulatory institution or mechanism. The speaker stressed the need for a preventive credit line for capital account crises with agreed rules on the limits of conditionality. He further pointed to the lack of regular institutional framework to manage debt overhangs at the international level. With regard to governance, the speaker

welcomed the modest increase in quotas and basic votes in the IMF. However, the Monterrey Consensus would include many more institutions, such as the Basle Committee on Banking Supervision and other norm-setting bodies, in which developing countries had no representation. Developing countries could increase their participation in international economic decision-making through the creation of regional and sub-regional institutions.

5. **Ms. Philo Morris** (Society of Catholic Medical Missionaries) talked about **"Financing of climate change adaptation and mitigation."** She emphasized that climate change posed a significant challenge and affected millions around the world, especially the poor. Given the miniscule contribution of green house gas emission by vulnerable countries, the international community should assist them in meeting their adaptation needs. The speaker called for a holistic approach to development that prioritized long-term ecological sustainability. The Doha Review Conference should come out with a clear mechanism for appropriate financing for mitigation of, and adaptation to, climate change. Ms. Morris highlighted that the UN Framework Convention on Climate Change (UNFCCC) should serve as the main framework of the global response to climate change. There was a need for transparency, with an equitable and balanced representation of all parties. New funds, including an adaptation fund, a mitigation fund, a technology fund and a risk insurance fund, should be established under the UNFCCC framework. These funds should reach their targets and not be channeled to other purposes. Moreover, they should be additional to ODA. The speaker also emphasized that capacity building was crucial for developing countries. She called for realistic targets for CO2 reductions for both developed and developing countries and for public and private investments into new technologies for mitigation of, and adaptation to, climate change, particularly in the area of renewable and alternative energy sources. Climate change policies ought to be balanced with poverty alleviation, employment creation and infrastructure development. Ms. Morris pointed out the need for an international trust fund for low-carbon technology research, development and deployment. The funds should be in the form of grants or resource transfer and not loans, especially for Small Island Developing Countries and Least Developed Countries. It was important to promote sustainable consumption and production patterns that reduced green house gas emissions and created less waste material. The speaker stressed that a comprehensive deal that would address all these issues had to be reached in December 2009 at the Climate Change Conference in Copenhagen, Denmark.

6. **Mr. David Ugolor** (African Network for Environmental and Economic Justice) presented on **"Mobilizing domestic financial resources for development."** The speaker emphasized that low national saving rates, high inflation and inefficient financial systems were impediments for effective financial resource mobilization in developing countries. Looted assets would also pose a significant development challenge. He highlighted that between $1 trillion and $1.6 trillion accounted for cross-boarder proceeds from criminal activities, corruption and tax evasion per year. It was estimated that corruption money from official bribes in developing countries and transition economies had reached $20 billion – $40 billion per year. Evidence suggested that 25% of GDP of African States were lost to corruption annually and about $400 billion were believed to be stashed overseas by corrupt Nigerian elites. Looting of assets had serious socio-economic consequences such as widespread poverty, poor infrastructures, lack of access to basic social utilities by millions of citizens and unsustainable debt levels. In response to these challenges, the African Network for Environmental and Economic Justice had organized a

looted assets recovery campaign, in collaboration with other civil society organizations and the Swiss Government, which helped to repatriate $505.5 million of looted assets to Nigeria. The speaker also called on Member States to support the Stolen Assets Recovery (StAR) Initiative, which had been launched jointly by the UN Office on Drugs and Crime Control and the World Bank Group in 2007 as a response to the problem. The initiative supported the implementation of the UN Convention against Corruption (UNCAC) and helped mobilize global action against save havens. Mr. Ugolor urged countries that had not yet done so to ratify UNCAC. Civil society and the media should be brought into the process of monitoring the use of recovered assets. Political will and legal reform were needed in developed countries, not only in developing countries. In this connection, the panelist called for a global partnership to promote prompt responses to ensure concerted action to repatriate looted assets.

7. **Mr. Josep Xercavins I Valls** (UBUNTU) spoke on **"Mobilizing international resources for development: foreign direct investment and other private flows"**. He stated that a currency transaction tax (CTT) could raise large amounts of independent, global and stable revenues for development. The CTT was practical and effective, since it was easy and safe to implement and would raise significant sums of money every year. The panelist explained that the CTT was a proportional tax on individual foreign exchange transactions, assessed on dealers in the foreign exchange market and collected by financial clearing or settlement systems. The CTT could be gathered by the existing global financial settlement systems. The speaker further claimed that a CTT of 0.5 basis points on every foreign exchange transaction in dealer markets would have no significant effect on the market. Therefore, it was unlikely that it would disrupt either exchange rate behavior or market liquidity. The panelist concluded that the CTT was a feasible new source of revenue for development and other global projects because it was safe and easy to implement and could raise $43, 270,000,000 of global, independent, and stable revenue each year. Mr. Xercavins I Valls emphasized that the Doha Review Conference would offer a unique chance to foster international political agreement to implement the CTT.

8. **Mr. Gyekye Tanoh** (Third World Network Africa) focused his presentation on **"International trade as an engine for development."** The speaker expressed the view that international trade was one of the key pillars of the Monterrey Consensus. Africa had not realized its share of the overall positive benefits of trade since it had followed an export-led model of growth and had implemented inappropriate trade liberalization policies. Export-led policies had deepened and intensified Africa's dependence on a narrow basket of primary commodities. Inappropriate trade liberalization had generated an explosion of cheap and often subsidized imports with harmful effects on the local economy. Tens of millions across the continent had suddenly been hurled to the brink of famine in the current food crisis. Moreover, trends at both the multilateral and the North-South bilateral levels promised a worsening of the current trade imbalances between North and South. The speaker called for a positive discrimination and affirmative action to enable developing countries to acquire the means and space to "climb the ladder" of development. In this connection, he advocated urgent measures to reduce agricultural vulnerabilities and enhance food security of developing countries. It was also important to ensure meaningful measures and flexibilities for developing countries on special products and safeguard mechanisms. Furthermore, the speaker emphasized the need for special and differential treatment and practical measures for its meaningful operationalization. He stressed that progressive taxes should be imposed on transnational corporations (TNCs) in the

natural resource extraction sector to promote investment in renewable resources and generate tax revenues for development. The speaker also called for a moratorium on all further demands and negotiations on Trade in Financial Services in the WTO GATS regime and in North-South free trade agreements (FTAs), particularly the economic partnership agreements (EPAs). Trade-related issues, i.e. Singapore issues, should be excluded from all North-South FTAs. Mr. Tanoh proposed to introduce national and international development benchmarks on employment and incomes, including agricultural incomes, for trade rules and trade policy. Finally, there should be a comprehensive review and re-design of aid-for-trade and technical assistance schemes to increase their ownership by developing countries.

9. **Ms. Gigi Francisco** (Development Alternatives with Women for a New Era) focused on **"Gender perspectives in financing for development."** The speaker presented a set of proposals for the Doha Draft Outcome Document. She emphasized that much more needed to be done to address the national, international and systemic challenges of financing development with regard to gender issues. On the domestic front, Ms. Francisco highlighted the importance of participatory and gender responsive budgets, the national commitment to and enforcement of decent work and the utilization of progressive and fair taxation schemes, including tax rebates and tax relief for the poor and women. With reference to foreign direct investments and private capital flows, her recommendation was to convene within the United Nations an intergovernmental meeting to consider how governments could efficiently and effectively manage their competition for FDI and other capital flows. This meeting should compel investors and traders to behave as "good citizens." The speaker also recommended the establishment of a multilateral mechanism that would subject investors and TNCs to more lawfully binding international norms and standards. International financial and technical cooperation could gain from the emergence of South-South cooperation and other innovative sources of financing for development. The speaker called for the elimination of conditionalities related to gender equality and other so-called "positive conditionalities." Donors and recipient countries should increase mutual responsibility, accountability and transparency. Gender-informed tools and methodologies that evaluate aid effectiveness could improve aid delivery and should be developed in a participatory process within the UN system. The speaker reiterated the commitment to stay engaged in the FFD process with the hope that the multi-stakeholder approach and strong participation from civil society including women's rights organizations and networks may be replicated elsewhere in the UN system.

Interactive debate

10. It was emphasized that empowering women would spur development. In this connection, several participants called for increasing the women's rights and promoting women's participation in the economy. Specific reference was made to the report of the 51st session of the Commission on the Status of Women. It was suggested that the views contained therein should be included in the outcome document of the Doha Review Conference.

11. It was noted that financing for development required concerted efforts of all stakeholders. The importance of raising awareness and understanding of development issues by taxpayers in developed countries was emphasized, in order to justify increases in the official development

assistance budget. Grass-root activities of civil society were seen as important contributions to promoting good governance in developing countries.

12. Several participants highlighted the need for enhancing international cooperation in tax matters. The UN was the only suitable forum to foster tax cooperation at the international level. In this connection, there was a call for converting the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental commission.

13. Many speakers stated that the food crisis should be on the agenda of the Doha Review Conference. Food aid was not a long-term solution. Fundamental changes in international trade relations were needed to ensure food security in developing countries. More agricultural investment, tighter regulation, particularly with regard to the conduct of transnational corporations, as well as improved transparency of agricultural markets were mentioned as key challenges in that context.

14. There was a need to correct structural failures of the current trading system. Many participants called for a holistic approach to international trade. Speakers underlined the importance of special and differential treatment for developing countries. It was noted that trade agreements imposed reforms that often hampered South-South cooperation. Developing countries needed to diversify their export economy to move away from their focus on low-value commodities. It was also proposed to examine the potential of regional monetary bodies in promoting intra-regional trade.

15. There were calls for increasing the voice and participation of developing countries in the international financial institutions, including the Bretton Woods institutions. Moreover, some participants were concerned with standard and norm-setting bodies like the Basle Committee. These institutions had large impacts on the international financial architecture, yet developing countries were often not represented in these organizations. Some participants recommended exploring the potential of regional development banks for regional monetary management.

16. With regard to the proposed CTT, the issue was raised on who should collect and disburse the generated revenues. It was noted that UN funds had been criticized for lack of cohesion. This would reduce their suitability to act as a repository of new funds. Other participants endorsed the view that new revenues from the CTT should be disbursed within the UN system. This task could be a chance to reform and improve the UN system.

17. It was highlighted that a coalition of civil society organizations had prepared a comprehensive benchmark document on financing for development and a shorter version thereof with key recommendations for the Doha Review Conference. In this connection, some of the authors of the document reiterated that the Doha Review Conference should serve as a platform for a comprehensive review of the implementation of the Monterrey Consensus, as well as for addressing new challenges and emerging issues.

Business sector

<u>Presentations by panelists</u>

18. **Mr. Joseph G. Gavin** (US Council for International Business) focused his presentation on **"Trade and investment contributions to development financing".** He reviewed current trends and recent developments in the trade and investment areas and highlighted the emerging policy priorities, such as: the urgent quest for a global solution to climate change; immediate needs to address hunger and high energy and commodity prices in many developing countries; new sources of public and private development funding; increased pressure for restrictions on trade and investment flows and a rapidly closing window of opportunity to complete a successful Doha trade round. He emphasized that trade was the largest source of funding for development and that it was critical to improve market access for WTO members, which could make a very important contribution to expansion of agricultural production, economic development and poverty reduction. Mr. Gavin also stressed the importance of investment as the second largest source of funding of development, calling for measures to mobilize private sector investments, both domestic and international, by improving the policy framework for investment. He expressed concern about the rise of investment protectionism, which represented a serious threat to the growth of foreign direct investment, a key pillar of development funding. Noting the interlinkages between trade and investment, including at the level of businesses, he concluded that it was key that governments adopt coherent open trade and investment policies to advance development.

19. **Ms. Ann J. Miles** (BlueOrchard Finance) spoke about **"Developments in microfinance since the Monterrey Consensus."** She stressed that microfinance (MF) could show tangible contributions to poverty alleviation; together with education, health and housing, it could help poor people to improve their lives. She highlighted the rapid growth of MF since 2002 in terms of funding and clients served and the increase in sustainable MF institutions that did not require subsidies. MF institutions were moving beyond providing credit only services to include savings, insurance and housing finance. Local banks were also starting to provide financial services to microentrepreneurs. MF institutions had increasingly accessed financing from local banks and as regulated financial institutions issued local securities, enhancing financing stability and reducing exposure to foreign exchange risk. International financing from global banks and through debt and equity instruments had also increased. The involvement of the telecommunication industry, including in partnership with governments, in establishing alternative channels of service delivery to MF clients also demonstrated the mobilization of private and public resources for development. In order to promote the growth of MF, Ms. Miles called on all stakeholders to recommit to key principles developed and endorsed by the Consultative Group to Assist the Poor (CGAP). She argued that interest rate ceiling hurt poor people by making it harder to get credit, that the role of government was to enable financial services, not to provide them directly and that donor funds should complement private capital, not compete with it. She offered an outlook for the evolution of MF in the next five years: MF institutions would replicate successful business models beyond local and national boundaries; they would leverage their platforms to address broader development issues, including energy, environment, water and education; and there would be broader engagement of financial and non-financial corporations in this sector.

20. **Mr. Herman Mulder** (ABN AMRO Bank) made a presentation entitled **"Making a difference: inclusive growth, inclusive architecture"**. He emphasized the importance of the overall context of an increasingly interdependent global economy, with growing pressure on ecosystems, natural resource base, infrastructure and political architecture. From that perspective, the speaker highlighted three areas of concern for development finance. First, he stressed that for economic growth to fuel increased welfare and wellbeing, it should be sustainable, responsible and inclusive; that is, it should have a "people" and "ecosystem" dimension in addition to the "profit" dimension. This triple bottom-line approach was being increasingly recognized in the business community. Also, international political, economic and business connectivity and creating a new common purpose in addressing collective challenges were a growing focus. Second, he pointed out that the business community had begun to rise to these challenges, specifically in climate change, sustainable development, financial sector development, including microfinance, at the international level. Third, Mr. Mulder noted that governments, the business sector and civil society each made its own contribution to addressing global issues. However, to benefit from their complementarity, he called on all relevant stakeholders to build a more formal engagement, from the international to community level, in order to jointly address global challenges.

21. **Mr. George J. Vojta** (eStandard Forum) focused on **"Facilitating private investment for sustainable development."** He emphasized that sound macroeconomic policies, solid institutional and market infrastructure, regulation and supervision of the financial system were crucial for creating an enabling environment for markets to develop and function effectively. In addition, establishing rule of law, foreign exchange regime and capital account regulations, investment law and maintaining an ethical business climate were instrumental in creating a benign business environment that attracted private investment. Since the Asian financial crisis in the late 1990s, performance in these areas had been monitored on the eStandards Forum against international best practice standards, with information showing that those countries successful in these standards tended to be successful in growth and development. Mr. Vojta stressed that private corporations were the main agents of investment but they also needed the trust of society. He noted the involvement of the World Bank and OECD in the global corporate governance movement to promote ethical enterprise conduct and good corporate governance. The aim was to push the role of corporations as fiduciary institutions entrusted with resources to create wealth and well-being for all stakeholders. To gauge performance of firms, information was needed to be made available to the public. Mr. Vojta underscored the importance of greater efforts to enhance the contribution of the private sector to the implementation of the MDGs and Monterrey Consensus.

22. **Ms. Evelyn Ndali Oputu** (Bank of Industry, Nigeria) spoke about **"Improving financial resource mobilization to move the poverty reduction agenda forward."** She underscored that the Monterrey Consensus had provided the financial impetus to achieving the MDGs. She shared the successful experience of Nigeria's leading development finance institution, the Bank of Industry, in developing into a significant contributor to Nigeria's economic and social development since its restructuring in 2005. Its mandate was primarily to finance and catalyze industrial development. Underlying its implementation was a paradigm shift to put people first and empower the weakest segments of society, by providing access to productive assets and opportunities to move forward poverty alleviation and achieve inclusive development.

Accordingly, operations were focused on financing of microenterprises and small and medium enterprises and generating employment, bringing the institutional capacities of the formal sector to bear on the large informal sector to increase efficiency and promoting flexible financing strategies needed to achieve international development goals. Gains of this paradigm shift were borne out in the operational and financial results of the Bank. Ms Oputu underscored that key challenges in increasing coverage and scope of financing continued to be mobilizing financial resources in domestic and international financial markets. The country's savings gap remained huge and further domestic financial reforms were needed to develop the capacity of the financial sector in meeting financing needs. In addition, the inflow of ODA should be increased and better coordinated, with conditionality reduced. Engagement with regional and sub-regional DFIs also needed to be expanded. Ms. Oputu concluded that the country needed to look internally to strengthen mobilization of financial resources through: (a) increasing the tax base, tax collection and other internal financial resources; (b) creating an enabling environment to attract foreign investment; and (c) expanding public-private partnerships, especially in infrastructure. At the same time, strategies should be formulated to improve the long-term development impact of private investment and to obtain international support for local DFIs.

Interactive debate

23. It was pointed out that the present international economic environment may not be conducive to encouraging development, including the activities of the private sector in developing countries. In addition to the sharp increase in food and fuel prices, the turmoil in international financial markets and the difficulties in arriving at a trade agreement, some countries' ability to mobilize resources for development was also hindered by the need to hold large amounts of international reserves, in order to protect their currency and to make large debt repayments.

24. In order to overcome the existing bottlenecks in financing development, business representatives suggested such measures as: to attract FDI through increasing the role of developing countries in global supply chains; to utilize the Investment Climate Facility for Africa to assist smaller enterprises; to restructure and promote greater efficiency in agriculture; to tackle the problem of illicit capital flows from developing countries; and to facilitate a better flow of information between aid donors and recipients. The importance of a trade agreement, especially in the area of agriculture, was also emphasized. In this regard, it was also mentioned that an opening of markets for trade and investment should go hand in hand.

25. The need for consistency and coherence in the agenda for the Doha Review Conference was emphasized, based on the integrated approach to the implementation of the Monterrey Consensus. This would include Financing for Development forums, convened at the global, regional and national levels, as well as donor round tables and performance monitoring reports. A central agency, such as the UN Financing for Development Office, needed to have the capacity to facilitate and coordinate these various activities.

26. The issue was raised as to how businesses could ensure that their activities were more conducive to development. It was pointed out that the Monterrey Consensus called on businesses to take into account the developmental, social, gender and environmental implications of their

undertakings. Some business representatives pointed out that activities promoting good corporate citizenship were entirely compatible with profit-making since enterprises that conducted their affairs to positively benefit all stakeholders were more likely to do well in the longer term. In that regard, it was emphasized that social venture capital was an emerging asset class taking into account environmental factors and was likely to grow in coming years. At the same time, it was pointed out that corporate social responsibility should not be confused with philanthropy, which was a separate issue and did not relate to the core activities of business. Finally, it was indicated that the private sector could play a catalytic role in persuading governments to fulfill their developmental obligations.

27. There was discussion on the specific area of microfinance. It was argued that a large proportion of the demand for microfinance had not been fulfilled due to constraints on its expansion. According to a business speaker, improvements in technology and human resource capabilities were likely to enhance access to microfinance services. The need to improve coordination and collaboration between the different microfinance service providers was also emphasized, including that among banks and between private and public sector entities in that field. A view was expressed that strengthening infrastructure in areas such as education and health would also serve to enhance the access to microfinance services.

28. The role of ODA was brought up in the context of how public and private capital could be put to complementary uses in furthering development. It was pointed out that ODA could serve to facilitate private capital flows. Business representatives also stressed the need to refocus aid into areas of greatest need, including supporting capacity building in key areas of the economy and financial sector development, including microfinance. In that respect, it was emphasized that the public sector had an important role to play in strengthening the enabling environment for businesses.