



The Road to DOHA

A newsletter for civil society in the lead up to the 2008 FfD conference

President of the General Assembly releases Doha Draft Outcome Document

The President of the General Assembly circulated, on 28 July 2008, a [draft outcome document](#) of the Doha Review Conference. The document follows the structure of the Monterrey Consensus and addresses new challenges and emerging issues. The President invited all States to review the document and develop their positions on the outcome of the Review Conference in advance of the high-level official launch of negotiations at a meeting of the General Assembly on 8 September 2008 in New York. The General Assembly will then continue with informal consultations on the draft on 9 and 10 September 2008.

These meetings will be open to participation from accredited non-governmental organizations, business sector entities and intergovernmental organizations in possession of a valid grounds pass. For inquiries, please contact ffdoffice@un.org.



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Secretary-General reports on latest developments related to financing for development

Pursuant to GA resolution 62/187 on 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 Secretary-General released a report on “The latest developments related to the review process on financing for development and the implementation of the Monterrey Consensus” (A/63/179). The report underscores that slower growth, financial crisis and higher energy and food prices pose significant challenges for the international community.

On the domestic front, there is a need for sound macroeconomic policies. These would necessitate sufficient policy space for effective counter-cyclical domestic policies in mobilizing savings and investment. Transparency and good governance are critical elements of national development strategies. The report underlines that there has been renewed interest to address the negative impact of illicit capital flows on domestic resource mobilization in the same way the international community has coalesced on efforts against other criminal activities.

In discussing the importance of enhanced international cooperation in tax matters, the report highlights the role of the UN Committee of Experts on International Cooperation in Tax Matters and refers to the proposal to upgrade it to a fully inter-governmental body. Other issues of importance include more effective tax collection, increasing inclusive

finance and efforts to promote full and productive employment and decent work. Moreover, macroeconomic policies should be more coherent with other policies to achieve gender equality.

With regard to mobilizing international resources for development, the report highlights that foreign direct investment (FDI) inflows remain the single largest component of private resource flows to developing countries. These flows, which amounted to almost \$500 billion in 2007, involved significant “South-South” investment. However, the report cautions that sufficient capability – both physical and human – to absorb advanced technologies are necessary to ensure that foreign direct investment contribute to higher productivity and economic growth. In this regard, the development of a healthy competitive business climate, suitable infrastructure and strong human resources is essential for both attracting investments in higher-value-added activities and supporting the performance of local companies on the global market. Moreover, investment in infrastructure could lead to higher tax revenues in the longer term by increasing future output.

International trade can be an important engine for economic development. However, the collapse of the WTO’s July 2008 mini-ministerial talks in Geneva signaled a considerable hiatus in the Doha negotiations.

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Doha NGO Group on Draft Outcome Document*

In this article, the Doha NGO Group of Facilitators for the Financing for Development review process provides some initial reactions to the Doha draft outcome document (DOD) on Financing for Development released last July. This is done against the backdrop of the [Civil Society Benchmarks for the Doha Preparatory Process](#) and the [Civil Society Key Recommendations for the Doha Draft Outcome Document](#) published in June 2008. The views of the Doha NGO Group are presented below:

“As the starting point for negotiations on a document to address a number of pressing challenges in financing development, we are of the view that the DOD should have raised the bar in terms of sharper definitions of issues in line with current realities, and proposed a more comprehensive range of solutions.

Domestic resources: On a positive note, we welcome the commitment to broadening the tax base and combating tax evasion, but stress the need for specific mechanisms such as country-by-country reporting by transnational corporations with a view to eliminating transfer mispricing and other forms of tax evasion, policies to harness the revenue from natural resource extraction, and the need to attenuate or offset the loss of fiscal resources caused by increasing trade and investment liberalization. Stronger language should have asserted the need for an intergovernmental body for International Cooperation on tax matters to address issues of harmful tax competition, cross border tax evasion and capital flight to tax havens. The recognition of gender responsive public financial management as integral to fiscal reform is welcome, as is the need for active labour market policies and the realization of decent work objectives.

Investment: Recognizing the evidence gathered by numerous studies on foreign investment, the DOD rightly emphasizes the need to maximize linkages with domestic production activities, transfer of technology and training of the local labor force. However, the weak language on the responsibility of private investors to uphold labour and environmental standards as well as transparency in the accounting of revenues, including in the Extractive Industries, fails to address the real need for a strong regulatory framework to counter well-documented abuses, and ensure positive developmental impacts of FDI.

Trade: Given its narrow focus on market liberalization and its inherent biases against the interests of developing countries, the WTO negotiations to conclude the Doha round have run into seemingly insurmountable odds. FfD should be positioning itself as a process that could save the day by informing the development dimensions of the discussions, including gender equality, trade and employment linkages, as well as highlighting those elements that could enable trade to raise revenue for development. Indeed, FfD is well-placed to assume the responsibility of examining the questions that the WTO talks have proved repeatedly incapable of addressing. In this regard, the chapter as a whole comes across as a lost opportunity, with merely some rhetorical acknowledgements of the importance of policy space, and the need to pace and sequence liberalization according to the circumstances of each country. Also, it simply restates the need for a “successful, early and truly development-oriented conclusion of the Doha Round”, failing to assert the role of the UN, through the FfD process in proposing a holistic trade and development agenda as a way out of the current impasse.

Aid: The DOD’s positive spin belies the reality of sluggish increases in ODA levels after Monterrey, with real declines since 2007. The sense of urgency in making up for the shortfall and in providing additional resources is missing from the DOD, as is the need to pursue concrete new mechanisms such as the Currency Transaction Tax (CTT), if core development needs are to be met, as well as emerging needs such as financing climate change. Of cause for concern is the fact that the DOD accords central roles in development cooperation to multilateral agencies such as the OECD/DAC and the World Bank, while failing to acknowledge the need for shifts from their current policies including lack of democratic governance, harmful conditionalities, tied aid, imposing constraints on policy space. Rather than uncritically endorsing the outcome of the High Level Forum in Accra on Aid Effectiveness, the Financing for Development process, along with the Development Cooperation Forum (DCF) should be defining the parameters for a comprehensive framework within the UN system for democratic norm-setting and monitorable targets for development effectiveness, and should be the convener of the other development actors for follow-up in this regard.

Debt: The section on debt represents a major step backwards from the Monterrey commitments. The “equivalent treatment of all creditors” should be matched by a major focus on equal treatment of debtors facing critical development challenges. In light of the hype about the “success” of the debt cancellation initiatives currently being implemented, the sobering statement that “debt service in a considerable number of low and middle-income countries is still too high” is to be welcomed. However, no link has been established between the high levels of debt-servicing and the capacity of the countries concerned to achieve the MDGs, as called for by the Monterrey Consensus. In fact, despite findings that the World Bank/ IMF framework for establishing debt sustainability is responsible for an underestimation of debt relief needs, the DOD presents these institutions, as contributors, rather than hindrances, to improved debt indicators. Also missing is the linkage between debt sustainability and the MDGs, as well as the notion of “odious and illegitimate debts”, despite the significant legal and political developments that have shaped this aspect of donor-creditor co-responsibility since Monterrey.

Systemic Issues: Despite the general recognition that “progress in addressing systemic issues since Monterrey has been limited,” the DOD fails to offer clear guidelines for redressing this situation. We agree on the need for a “major international conference to review the international financial and monetary architecture and global economic governance structures”. We believe that the United Nations is best placed to take the lead in this matter, and that the Doha FfD review process provides the opportunity to do so, an opportunity which should not be missed. We disagree with the DOD, which would have the UN abdicate this key responsibility, giving it over to the International Monetary and Financial Committee. The current juncture characterized by climate change, the increase in food and oil prices and the credit crunch, should give a sense of urgency to the challenges ahead. Doha offers a rare opportunity for seriously moving forward an equitable and effective agenda for financing development in the next few years. It should not be wasted.”

* External contributions are the responsibility of the author(s) and do not necessarily reflect the views of the United Nations Secretariat.

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In order to reach progress, a more effective consensus on what constitutes a development-oriented result is needed.

More open trade is, by itself, not a guarantee of development and poverty reduction. Developing countries need time to develop their productive capabilities to take advantage of the opportunities from increased market access and to minimize the cost of adjustment entailed by trade reforms and losses in preferential access. Rising food prices across the globe have shown the need for a global trading system that would promote widely dispersed and sustainable agricultural investment throughout the developing world.

On a more positive note, the report highlights quantitative increases in trade and finance linkages among developing countries. South-South economic cooperation can contribute to a more balanced global growth and development.

Turning to international financial and technical cooperation for development, the report highlights that aggregate aid flows from OECD-DAC countries as a whole have fallen significantly short of overall targets. Debt relief and humanitarian assistance have constituted as much as 30 per cent of ODA in recent years, underlining political reasons for efforts to increase ODA in many developed countries.

Notable progress has been made by signatories to the 2005 OECD-DAC Paris Declaration on Aid Effectiveness, which embodies the principles of ownership, alignment, harmonization, managing for results and mutual accountability. Development aid should be more effective in developing countries, particularly in the least developed countries, post-conflict countries and fragile states. The report also highlights the role of the ECOSOC Development Cooperation Forum, which has the potential to serve as an effective international forum to address development cooperation issues in a more inclusive manner.

The report further notes the increased momentum in the discussion on potential innovative sources of financing, such as the International Finance Facility for Immunization (IFFIm), advance market commitments, the airline ticket solidarity levy and a currency transaction development levy.

It is noted that climate change has posed new challenges in the mobilization of development aid. Estimates of the amount of financing required to deal with the global climate risk range from 0.3 to 1.0 per cent of global income. This new challenge featured prominently at the High-level segment of the substantive session of ECOSOC, held in New York on 30 June-3 July 2008.

On external debt, the report notes that overall debt indicators have improved markedly as a result of the confluence of factors, namely, the low international interest rates and rapid growth in developing countries, underpinned by strong export growth. Most developing countries have debt management programs in place and have built up reserves, thus reducing vulnerability.

Despite these positive developments, ensuring debt sustainability and protecting the financing needed to make progress toward the MDGs remain important tasks. The risk of debt distress continues to be moderate or high for more than half of the post-completion-point HIPCs. Moreover, new challenges have surfaced. The increasing weight of private debt in the total external debt poses new problems for debt management, debt sustainability and debt restructuring. Mechanisms for international debt management are often stymied by significant flaws in the international governance system of dealing with debt contracts and the lack of a sovereign debt restructuring mechanism.

With regard to systemic issues, the report focuses on challenges involved in supporting more effective functioning and coordination of the international financial architecture and the economic aspects of global governance. The report welcomes recent initiatives that have helped strengthen domestic regulatory frameworks over financial markets. Developing countries should not only take into account regulatory lessons from the current crisis in the development of their own domestic financial systems but also have a secure voice in the design of future financial regulatory frameworks.

There is a convergence of views that international public oversight and governance structures need to be consistent with the existing global economic structure. Developing economies have become a much larger proportion of the global economy. More successful developing economies have built up their own reserves as individual self-insurance against vulnerabilities stemming from private markets. In this context, members of the international community have stressed that the governance regime of the international financial institutions is in need of significant reforms to increase, *inter alia*, the voice of developing countries.

Finally, the report highlights the need for effective, inclusive and transparent intergovernmental mechanisms for the follow-up to the Monterrey and Doha Conferences, with the participation of all relevant stakeholders.

For the full text of the report, please visit the FfDO website (<http://www.un.org/esa/ffd/>).

Regional consultations on financing for development

To ensure regional input to the preparations for the Doha Review Conference on Financing for Development, the UN regional commissions organized, between March and June of this year, regional consultations on financing for development, with the participation of all relevant stakeholders.

African countries, meeting in Addis Ababa from 31 March to 2 April, adopted a ministerial statement and passed ECA resolution 854 (XLI), in which donors are called upon to apply more flexible eligibility criteria for financing development efforts of least developed countries. Ministers also invited donors to consider more flexibility in providing debt relief under the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives. The resolution includes an appeal to ECA Member States and their UN representatives to participate actively in the preparatory process leading up to the Doha Conference.

In the European region, consultations were held in Geneva on 13 May. ECE Member States reiterated their belief in the principles enshrined in the Monterrey Consensus and reaffirmed their commitment to it. In response to the developmental challenges facing their economies, countries of the region have relied on extensive domestic reform as well as external assistance, two basic themes of the Monterrey Consensus. According to an executive summary of the meeting, while privatization can enhance economic efficiency, equity concerns need to be taken into account in privatization initiatives. In addition, while low taxes can lead to increased economic activity, capital can be attracted away from higher tax localities. Regional preferential trade areas are further seen as a way of stimulating investment and growth.

Asian and Pacific countries took up the financing for development issue during the ministerial segment of ESCAP's annual session held from 28 to 30 April in Bangkok and again during a regional policy dialogue on 18 and 19 June. The uneven rise in average savings, the higher but also uneven foreign direct investment flows and the fall in official development assistance to the region were among the many concerns raised at those meetings.

Countries of Western Asia drafted a draft resolution on financing for development at a meeting in Doha, Qatar on 30 April. It was further discussed, updated and adopted as ESCWA resolution 290 (XXV) at the Commission's annual session held in Sana'a, Yemen on 29 May. The resolution encourages banks to increase their participation in

economic development, calls for the creation of an attractive investment climate and stressed the importance of a successful conclusion to the Doha Round of trade negotiations. Moreover, the same resolution affirmed the need for all developing countries to be more involved in the management of the global monetary and trade systems.

The ECLAC regional consultations were held during the Commission's thirty-second session in Santo Domingo, Dominican Republic from 9 to 13 June. Romulo Caballeros Otero, Minister of Economy of Guatemala, who chaired the Latin American and Caribbean Regional Consultation on Financing for Development, submitted a report, "Trends and challenges in international cooperation and the mobilization of resources for development in Latin America and the Caribbean", to the President of the General Assembly. Among the important issues that the Latin American and Caribbean countries proposed for discussion in the Doha Conference were the role of the middle-income countries of the region within the system of international cooperation and the renewal of the commitment by OECD-DAC donors to reach the ODA target of 0.7 per cent of GDP. However, a developed ECLAC member country reiterated its position that the ODA target of 0.7 per cent of GDP was not an official one. ECLAC members also highlighted the need to enhance regional financial cooperation and to improve the level of financial access in the region.

More detailed information on regional meetings in preparation of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus is posted on the FfD website (<http://www.un.org/esa/ffd/regionalcommissions/>).



Opening of ECA regional consultations

The Road to Doha

8-10 September 2008

Informal consultations on the draft outcome document of the Doha Review Conference (New York)

22 September 2008

General Assembly high-level meeting on the theme “Africa’s development needs: state of implementation of various commitments, challenges and the way forward” (New York)

25 September 2008

General Assembly high-level event on the Millennium Development Goals (New York)

29 November - 2 December 2008

[Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus](#) (Doha, Qatar)

Economic Reports on Africa

The [Economic Commission for Africa](#) (ECA) recently released the Economic Report on Africa 2008. This year’s report is entitled “Africa and the Monterrey Consensus: Tracking Africa’s Progress”. The report consists of two parts. The first part comprises three chapters that review the main developments in the world economy and the second part contains three chapters that discuss Africa’s progress in meeting the goals of the Monterrey Consensus as well as the way forward. The full report is available online at <http://www.uneca.org/era2008/>

The Secretary-General released a report on “Africa’s development needs: state of implementation of various commitments, challenges and the way forward” (A/63/130). The report seeks to highlight Africa’s underlying development challenges and makes some practical recommendations to improve the international community’s efforts to address Africa’s development needs. The report is available online at <http://www.un.org/ga/president/62/ThematicDebates/adn/63-130.pdf>.

Expert group meeting on transfer pricing

An Expert Group Meeting on “Transfer Pricing: A discussion of the practical issues for developing countries” (Amsterdam, 27-28 August 2008), organized by the FfDO, will focus on ways to develop and apply effective and fair transfer pricing rules in developing countries. Clearer and more easily administered rules will be important in minimizing double taxation and uncertainty for investors, but also in combating income shifting to low tax jurisdictions and tax evasion by “mispriced” international transactions. The Monterrey Consensus, adopted in 2002, highlighted the role of equitable and efficient tax systems and administration for domestic resource mobilization and sustainable development. It specifically called for strengthening of international cooperation in tax matters. The UN can play an important role in the area of transfer pricing by assisting developing countries in closing skill and knowledge gaps that often separate them from developed countries and multinational enterprises and by assisting them to encourage investment but also effectively protect their legitimate interests in tax collection.

For further information, contact taxffdooffice@un.org.

Development Cooperation Forum

The first [ECOSOC Development Cooperation Forum](#), held from 30 June - 1 July 2008, resulted in a number of recommendations on practical measures and policy options, ranging from a call for policy coherence (particularly across the core areas of the Monterrey Consensus) to meeting aid commitments and effective aid allocation (with a focus on budget support as the preferred modality). Participants called for country-driven national development strategies that are responsive to the internationally agreed development goals, including on gender, the environment and human rights. The recommendations also note the importance of strong involvement (including through financial assistance) of civil society, businesses, foundations and global funds. Development cooperation channeled through these non-state providers at the country level needs to be integrated into an enlarged aid quality framework.

The official summary of the ECOSOC President is available [here](#).

Third High-Level Forum on Aid Effectiveness

The [Third High-level Forum \(HLF\) on Aid Effectiveness](#), under the aegis of the Development Assistance Committee of the Organisation for Economic Cooperation and Development ([OECD/DAC](#)), will be held in Accra, Ghana on 2-4 September 2008. It will be immediately preceded by a two-day [civil society forum](#). Participants in the HLF will discuss the [Accra Agenda for Action](#) and review progress in the implementation of the [Paris Declaration](#).

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