

## **Ministerial Round Table 2**

### **Regional dimensions of the implementation of the results of the International Conference on Financing for Development**

#### **Summary by the Co-Chairs**

His Excellency Mr. Samuel Zbogar, Secretary of State, Ministry of Foreign Affairs, Slovenia

Mr. K. Y. Amoako, Executive Secretary, Economic Commission for Africa

Eighteen months after Monterrey, senior officials of governments, representatives of international organizations, members of the business sector and representatives of non-governmental organizations held a fruitful round table dialogue. As we reflected upon the regional dimensions of the implementation of the International Conference on Finance for Development we could not avoid touch upon its global dimensions as well. We reiterated our commitment to the Monterrey Consensus and stressed the importance of keeping it high on the international agenda. We also recognized the need to ensure that the commitments made at Monterrey were fully implemented and global efforts for the implementation of those commitments were sustained. A summary of our discussion is presented below.

#### Overall considerations

Many speakers voiced their concern about the nature of the ongoing process of globalization and its consequences. It was felt that, despite new initiatives and increased dialogue among development stakeholders, economic considerations still weighed heavily on the decision making process to the detriment of social progress and economic justice. Thus, there was need for a shift of the current paradigm towards a more equitable economic system in which the needs and aspirations of the disadvantaged and excluded could be met and their rights respected. In this regard, the specific situation of indigenous peoples required particular attention. Increased solidarity was also required. A reassessment of the value system under which the international economic community currently operates was called for.

Several speakers remarked that there have been considerable advances in the way bilateral and multilateral donors incorporate the Monterrey Consensus, including the fulfilling of the Millennium Development Goals and the eradication of poverty in their working processes. Nonetheless, it was felt that more needed to be done as inconsistencies remained. Certain programmes and conditionalities still produced negative outcomes as far as improved social conditions were concerned. Additionally, as

economic and social conditions deteriorated in certain countries, political instability emerged, further compromising development.

Participants expressed their concern at the limited attention the international community was paying to the employment problem and emphasized that the eradication of poverty was central to meeting the Millennium Development Goals (MDGs). Many argued that it was through employment creation that the battle against poverty could be won. Several participants stressed the importance of labour standards and the need to generate decent jobs. The importance of small businesses for job creation was highlighted and the contribution of venture capital to support such enterprises was emphasized.

Some speakers recognized the emergence of new trends that posed additional risks to the international economic system. For instance, there has been increasing interdependency between the sustainability of growth and security. While international terrorism is undoubtedly a threat that needs to be eliminated, other forms of lawlessness, such as human trafficking, illegal migration and smuggling, needed to be confronted as well. Additionally, vast areas remained outside government control in several countries, thus providing fertile grounds for illegal activities and serious threats to international stability.

### International Trade

The setback in negotiations in the Fifth Ministerial Meeting of the WTO in Cancun has contributed to creating greater awareness about the development concerns of the developing countries in the trade arena. Several panellists expressed apprehensions on a variety of issues, such as agricultural subsidies, access to essential drugs and related intellectual property rights issues, tariff escalation and market access. In Africa, some countries that have reached the HIPC completion point could not attain the viability that was expected due to impediments to their commodity exports as a result of agricultural subsidies.

The scope and opportunities offered by intra-regional and regional trade were stressed. It was pointed out that expanding market space could help in wealth creation and thus enable the mobilization of domestic resources. However, several panelists pointed out that the limited infrastructure was also a major impediment to trade in developing countries. Limited and costly transportation was also preventing trade integration in some regions, in particular in Africa. It was pointed out that opportunities created by new agreements, such as the Almaty Declaration, could be utilized to enhance intra-regional trade.

Several speakers argued that a multilateral approach was needed to solve issues of imbalances in power, resources and voice. Regional and bilateral initiatives should be negotiated as building blocks toward an open- rule based and equitable multilateral trading system.

## Official Development Assistance

It was emphasized that achieving the MDGs required great progress both in quantity and quality of ODA. While fulfilling the commitments made in Monterrey on increases in volume would represent a turnaround, it was clear that the scale of resources required was well beyond those committed. In this regard, new initiatives such as the International Finance Facility put forward by the UK were essential and should be supported. The terms of the assistance given were also critical and a much larger share should be in the form of grants, to avoid impacting negatively on the debt sustainability of recipients.

Some progress had been made on various aspects of aid quality, such as accountability on the use of ODA, streamlining and harmonization of procedures and collaboration among donors, but there was still a long way to go. Accountability had improved in the context of Poverty Reduction and Strategy Papers (PRSPs) and further progress was expected in Africa owing to NEPAD's peer review mechanism. While policy ownership by recipients and participation by communities affected by the programmes had increased, when matters became technical, often donors tended to take the lead. In addition to improved capacity, greater ownership involved a cultural shift. PRSPs were promoting the inclusion of local governments and NGOs in the distribution of aid. Finally, aid conditionality would be more effective if recipients could influence its goals.

## External debt

Despite progress made in reducing debt service payments, there was a sense that momentum had slowed in the HIPC initiative and that new measures might be needed, including for countries ineligible for HIPC. Also, many speakers called for improvements in the criteria for debt sustainability as some post-completion HIPC countries continue to face unsustainable debt situations. Some speakers also highlighted the need to address the issue of those non-HIPC countries holding unsustainable debt positions. A role for the UN on debt relief decisions, in addition to the Bretton Woods Institutions, was called for.

## Mobilizing Domestic Resources for Development

Several speakers highlighted the importance of mobilizing domestic resources to finance development. It was argued that this would give developing countries more control of their development process, as domestic resources did not suffer from the shortcomings external resources did. External resources were volatile; they usually increased a country's indebtedness and often met only a small portion of a country's finance requirements. Additionally, the development of domestic financial systems would also make a country more attractive to foreign investors. In this regard, it was stressed that it was important to create investment opportunities so that resources could be employed locally rather than be transferred to developed economies.

Natural resources could bring important contributions to the development process of countries concerned. Nonetheless, in several natural resource rich countries there has been increased corruption, stagnation and a distorted economic system. In some cases, there has been widespread looting of natural resources, with the proceeds being exported abroad. It was also urgent to implement stronger procedures to facilitate the return of funds illegally exported to developed countries. Increased transparency in the international banking industry and improved global standards for export credit guarantee agencies were called for.