

Ministerial Round Table 3

“Coherence and consistency of the international monetary, financial and trading systems in support of development”

Summary by the Co-chairs

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The discussion reflected broad support for United Nations efforts to bring stakeholders together to take stock of progress in implementing the Monterrey Consensus. Some participants noted the important progress in building coordinated international efforts to address some development issues, such as HIV/AIDS. Many of us also perceived shortcomings that we need to address and some of our speakers suggested how we might go about that. “Monterrey” is a collective learning process among all the stakeholders. It not only sets policy goals for us to achieve, but gives us a way to address each other about the shortcomings in reaching them and how to consider institutional and policy reforms to overcome them. Indeed, there was a sense of mutual responsibility in the Round Table and concern to fully implement the Monterrey Consensus. This set the tone for a very fruitful discussion and a number of interesting proposals were put on the table.

“Coherence and consistency” 18 months after Monterrey

Participants raised a wide range of coherence and consistency concerns among domestic and global policy objectives and their implementation, reflecting the multifaceted aspects of the issue. We wanted greater coherence and consistency, but that did not mean “homogenisation” of policies in developing and transition economies. Instead, we felt the various stakeholders — governments, international institutions, business and civil society — should achieve common goals collectively, while also addressing local needs and constraints.

The Round Table focused on four areas of concern about incoherence and inconsistency in policy objectives and implementation. These entail (i) the interaction between the external economic environment and the space for domestic policy; (ii) trade-offs among domestic policy goals, such as between fiscal consolidation and social objectives, or trade liberalization and employment creation, all of which are important elements in poverty reduction strategies; (iii) inconsistency at the international level, such as agricultural subsidies that harm countries to which donors are also providing development assistance; and (iv) the discrepancy between the promotion of the Millennium Development Goals and Monterrey Consensus on the one hand and weak coordination among donors and international agencies to implement their commitments on the other hand.

How much has been implemented?

Participants were concerned that political will on systematic cooperation for development peaked in Monterrey. In particular, several participants expressed concern with the lack of progress in trade liberalization. The difficulty in reaching concrete results

in Cancún was placed on the structure and processes of the World Trade Organization, and the inability of developed countries to confront important domestic constituencies with specific trade interests, an asymmetry in how developed countries view the concerns of trade-related constituencies in developing countries.

There was also concern over the level of official development assistance, which while growing is far below what is needed to meet our Millennium Summit commitments. Progress on more effective aid delivery and harmonization of aid procedures was noted, but we have committed to making more progress and should do so. Different participants stressed the need to take a fresh look at the need to deepen the debt relief of the heavily indebted poor countries. As a finance minister observed, many countries had moved forward on their economic adjustments and poverty reduction strategies, but were left awaiting the support expected from the international community. There was specific disappointment in the continuing low provision of core resources for United Nations development assistance.

Finally on the scorecard, Monterrey looked forward to rising international private financial flows to developing countries, but flows have fallen, and terms-of-trade developments of many countries have continued to disappoint. Developing country debt levels continue to climb and there is no agreed set of practices on how to handle debt in crisis situations. What most discourages private financial flows, aside from outright “bad news,” is uncertainty and there is too much of that regarding developing and transition economy countries right now.

New Proposals

A number of specific proposals were made to advance implementation of the Consensus. These include strengthening UN and other efforts in capacity building for trade negotiations, as well as strengthening the capacity to respond to export opportunities when trade is liberalized. Trade liberalization should entail job creation. In addition, it was argued that macroeconomic policy making in developing countries should focus more on job creation, which requires expanding access to credit in developing countries.

The international financial institutions should also better enable developing countries to bear risks resulting from external shocks and be better able to transfer risk to the international capital markets through financial instruments that have developed over time in the private sector. A global clearinghouse of information on developing economies tailored to the needs of investors was also supported. There were calls as well for increased international cooperation on tax matters, such as to remove “tax competition”, which occurs when different countries compete for the same foreign direct investment by offering tax concessions whose main effect is to weaken each country’s tax base.

There was, moreover, a sense that something had to be done to reverse the perceived dissipating of political momentum for development at national and international levels. Several proposals were made to promote more effective dialogue among stakeholders. At the national level, for example, it was suggested that the business community should take a page from the NEPAD process and hold peer reviews of business, complementing the NEPAD programme of peer reviews of African Governments. For some issues, regional forums could be effective means for building commitments to coherence and policy effectiveness. Indeed, everything does not have to be agreed at global level and in some

areas, regional or sub-regional forums can play an important role, as we have seen in Africa as well as in Europe, Latin America and the Caribbean, Asia, and the Middle East.

Many of the suggestions were directed to more effective global economic governance and the greater role the United Nations could play in facilitating coherent and effective international economic policy making. We saw a consensus on the desirability of making greater use of the UN as the global coherence forum on economic, financial, trade, social and environmental issues. As the Monterrey process illustrates so clearly, the UN already brings the most voices to one table of any international body — indeed, it convokes representatives of different government ministries, let alone different international institutions, the private sector and civil society. It also already has the mandate to serve as the global coherence forum from Monterrey, from the Millennium Summit and from the United Nations conferences of the 1990s. It is the world's umbrella forum and can be its global scorekeeper.

A number of proposals were offered to make the UN more effective in this capacity. Some were specific and modest, such as to request a special UN study of coherence issues and that we be convoked once again to consider and act upon it. There were also calls, including from the private sector, to discuss international debt issues under United Nations auspices. Indeed, a concern was expressed about the initiative last week of the Group of 20 to further develop within its own intergovernmental mechanism the proposed code of conduct for debtor country governments and private creditors that originated with a group of private financial organizations. Finally, we heard the important proposal, as made earlier in the General Assembly by the President of France, to develop a new intergovernmental entity to play, in essence, the role that the Group of 8 has played in economic affairs and that now requires an entity of greater international legitimacy.

Conclusion

Our roundtable discussion points to the need for further thought and discussion of the issues of coherence and economic governance. As one speaker mentioned, economic and financial crises come in clusters. As another mentioned, we must have a coherent trade and financial system. It cannot be said that we are ready and able to handle the next set of crises or to deliver that coherent system.