

## **High-level dialogue for the implementation of the outcome of the International Conference on Financing for Development**

### **Round Table 8**

*The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the promotion of sustainable development, sustained economic growth and the eradication of poverty with a view to achieving an equitable global economic system (Wednesday, 29 October 2003).*

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

H.E. Mr. Fernando CANALES CLARIOND – Minister of Economy, Mexico.

Mr. Mark ALLEN – Acting Director, Policy Development & Review Department, IMF.

The round table addressed a broad number of issues drawn from the commitments contained in the Monterrey Consensus and other related international agreements, in particular the development goals of the Millennium Declaration. Participants expressed the view that the International Conference on Financing for Development launched a new development partnership, based on the principle of mutual accountability between developed and developing countries. Within this holistic approach to development, the active involvement and support of the major stakeholders, especially the international financial and trade organizations as well as the United Nations system, is crucial to this process. The support of civil society and the business sector is also necessary to achieve progress in reaching the Monterrey objectives

#### **1. External Environment**

The vulnerability of developing countries to external shocks was discussed, and in this regard the need for international assistance for capacity building and a supportive international economic environment for sustained growth was raised as essential for achieving the goals of the Monterrey Consensus.

Trade is essential for economic growth and many participants stressed the need for a fair trading system. While the recent Cancun meeting of the WTO may be considered a setback, participants expressed the view that multilateral trade negotiations must move forward without delay to comply with the Doha agenda for

development. Developing countries' trade could gain significantly from the elimination of subsidies and barriers that have distorting effects, specially trade distorting agricultural subsidies, and the anti dumping measures imposed by developed countries, improved market access in developed countries for products of developing countries, increased technical assistance and building of capacities, and improved rules of conduct for multinational corporations.

The need for special and differential treatment for developing countries, as part of multilateral trade negotiations, was also seen as a vital aspect in achieving a supportive international environment.

It was also pointed out that growth in employment levels is a major factor in reducing poverty. Trade is a tool to achieve poverty reduction, but the sequencing of trade liberalization and the creation of export capabilities in developing countries was mentioned as an important element for allowing developing countries to reap the benefits of trade.

Domestic financial resources in developing countries are not sufficient for achieving growth and development and must be supplemented by substantial increases in ODA and other resources if developing countries are to achieve the internationally agreed development goals and objectives. It was acknowledged that there has been an increase in ODA, but it was also recognized that the increase was below the commitments made in Monterrey. Some ideas to increase the flow of resources to developing countries were mentioned, including efforts to improve international tax cooperation in order to avoid tax evasion and increase tax revenue.

The burden of external debt was cited by several participants as a critical obstacle for developing countries. Debt relief measures are therefore essential to free up the resources required for achieving sustainable growth and development. Debt relief measures should not be limited to highly indebted poor countries. One participant proposed the establishment of a group of experts to also analyze the impacts of external debt on developing countries, and determine appropriate mechanisms to reduce its burden.

## **2. Domestic policy environment in developing countries**

Economic growth is a necessary condition for development. It was also pointed out that more direct measures should also be taken to tackle poverty and promote human development. For instance, reducing unemployment and investing in education and health should be a priority. Some participants also stated that social spending should be kept high as a percentage of GDP, even in an environment of fiscal retrenchment.

Countries should aim for a sustainable development path that promotes the sustainable use of natural resources, promotes social cohesion and prevents conflicts. Peace and security are prerequisites for sustained economic growth.

In the context of aid programmes, it was urged that developing countries need to have greater ownership of policies. Capacity building, good governance and technical assistance should be strengthened in developing countries, in a democratic environment.

Participants called for an enabling business environment for domestic enterprises, especially small and medium-sized enterprises. In particular, there were calls for a favourable regulatory and legal framework, better transparency and information flows between governments and investors. Several speakers referred to the problem of corruption and its consequences for investment, both foreign and domestic. There was also a call for more work to review the adverse environment facing small and medium-sized enterprises.

### **3. Coherence, accountability and monitoring progress**

Many participants emphasized that the voice of developing countries should be strengthened in the international financial and trading system, including in the Bretton Woods institutions and the WTO.

Several participants noted that it is essential that all actions by the international community, including the donor community, developing countries and intergovernmental organizations, for achieving progress under the Monterrey Consensus are coherent and consistent with the international monetary, financial and trading systems in support of development.

Coordination within the donor community should be improved. For ODA to be effective, both developing as well as developed countries should work in partnership and with mutual accountability.

The need and importance of monitoring the progress of the Monterrey Consensus and the effectiveness of all development partners in achieving results was also stressed. Mechanisms to review the effectiveness of development assistance are being set up between various development partners, aiming for an increased dialogue between the different stakeholders.