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**Follow-up to the International Conference
on Financing for Development**

Summary by the President of the General Assembly of the High-level Dialogue on Financing for Development

Note by the Secretariat*

Addendum

Summary of the informal hearings of civil society (New York, 28 October 2003)

Summary

In preparation for the High-level Dialogue on Financing for Development (29 and 30 October 2003), the General Assembly conducted informal hearings and an interactive dialogue with representatives of non-governmental organizations that are in consultative status with the Economic and Social Council and/or accredited to the financing for development process. The event, chaired by Julian R. Hunte (Saint Lucia), President of the fifty-eighth session of the General Assembly, took place at United Nations Headquarters on 28 October 2003. The overall theme of the meeting was: "Civil society perspective on the status of implementation of the Monterrey Consensus and tasks ahead". The hearings and dialogue featured panel discussions on the following two topics: (a) review of progress and setbacks since Monterrey; and (b) strengthening the role of the United Nations in democratic global governance: towards new arrangements at the United Nations. Each panel session consisted of introductory remarks by the moderator and presentations by civil society representatives followed by discussions with delegates to the General Assembly, including questions from the audience. Salient substantive features of the proceedings of the meeting are summarized below.

* The present note was prepared by the staff of the Financing for Development Office of the Department of Economic and Social Affairs of the Secretariat, in consultation with the non-governmental organizations' International Facilitating Group on Financing for Development.

1. The Chairperson of the meeting, Julian R. Hunte (Saint Lucia), President of the fifty-eighth session of the General Assembly, opened the meeting and welcomed all panellists and participants. In his introductory remarks, the President thanked civil society for its contributions to the financing for development process. He declared that a year and a half after the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, the United Nations provided a forum to evaluate the impact on development cooperation of the pledges put forward at the Conference. The emphasis, he concluded, has shifted from decision-making to implementing the agreements and commitments made in Monterrey.

Panel 1: Review of progress and setbacks since Monterrey

Overview

2. The first panel discussion was moderated by Roberto Bissio, Coordinator, Social Watch. The debate focused on the progress and setbacks since Monterrey, mainly in the area of official development assistance, trade and external debt. Several mechanisms to raise resources for financing development were identified. The call was made for future trade talks to be more transparent, inclusive and democratic, with a clear focus on development. The debt crisis of Argentina was debated as a dramatic example of the negative impact of wrong macroeconomic policies pursued by developing countries and advocated by international financial institutions.

Presentations

3. Reinhard Hermle, Misereor/Coopération Internationale pour le Développement et la Solidarité (CIDSE), made a presentation on assessing progress in meeting the Millennium Development Goals and the official development assistance commitments. The panellist underscored the importance of official development assistance for meeting the Millennium Development Goals. He reminded participants that according to the estimate put forward by the report of the High-level Panel on Financing for Development headed by Ernesto Zedillo, an additional \$50 billion were needed to achieve them. Dr. Hermle stressed that the pledges made in Monterrey to raise official development assistance, including the estimated \$7 billion that would be freed if aid were to be made more effective, would still be inadequate to meet the Millennium Development Goals.

4. Accordingly, the speaker focused on three main proposals with the potential to mobilize additional resources. First, the proposal of the United Kingdom of Great Britain and Northern Ireland to establish an international finance facility could mobilize a significant amount of development finance, even if it was not supported by all but only by a group of donor countries. There remained certain questions, however, concerning the possible effects on financial markets and concerning the aid volume in the years after 2015, when disbursements to recipient countries would have ended but the legally binding commitments of donor countries for the international finance facility would be still going on until 2030. Second, proposals regarding taxes and levies on the utilization of global commons (atmosphere, oceans) should be considered seriously as they could be used to finance the access for all people to global public goods. In the speaker's view, a carbon tax that would

be levied on the consumption of fossil fuels (graded according to the level of contribution to the pollution of the atmosphere) and a global kerosene or air traffic tax would be the instruments with the highest grade of urgency and effectiveness. Dr. Hermle also supported the Secretary-General's proposal to set up a working group within the context of the financing for development process to study the establishment of a fair arbitration mechanism to address sovereign debt crises.

5. While the above mechanisms could provide important new sources of development finance, Dr. Hermle stressed that in the meantime a significant increase of official development assistance was the most adequate way to secure that the Millennium Development Goals could be realized. He voiced serious concerns, however, over the will to increase official development assistance substantially, given the current budget constraints and the lack of political support in donor Governments. The panellist concluded by reminding participants that financing the Millennium Development Goals was an excellent long-term investment since this translated into supporting poverty eradication, the healing and preventing of mass diseases, education and the provision of other basic social services.

6. Maria Riley, Center of Concern, analysed the effects of the failed Cancun talks in her presentation on trade as an engine of growth — a look at the outcomes of the Fifth Ministerial Conference of the World Trade Organization (WTO) in Cancun. The ramifications of the failed negotiations would depend on the response of key players, such as the European Union and the United States of America, the panellist argued. Whereas the majority of the international community felt that the multilateral trading system was the best route to development, the current direction of WTO was being questioned. Cancun, she said, marked a new environment and could promise new directions. Ms. Riley reminded participants that the Doha Development Round proclaimed development at the centre of the WTO agenda and that Cancun had been the testing ground for this assertion. The issues of contention in Cancun had focused on agriculture (European Union, Japan and United States tariff regimes), the African cotton initiative, non-agricultural product market access and the Singapore issues. The disagreement between the developed and developing countries over the final draft declaration had led to the impasse of the talks, according to the speaker.

7. Ms. Riley pointed out that new issue-based coalitions among developing countries had emerged in Cancun, which pushed the development agenda as a counterweight to the usual key players at WTO. For instance, the Group of 20 plus advanced an alternative position on agriculture, the Group of 32 added the perspective of poor countries' agricultural needs to the debate, and the African, Caribbean and Pacific Group of States, the African Union (AU) and the least developed countries had joined forces to support a development agenda and oppose the Singapore issues. Canada, EU, Japan and the United States (collectively known as the "Quad") had assumed, she said, that those alliances would break apart under economic and political pressure, but they had proved durable to the end of the talks.

8. Ms. Riley argued that those types of alliances were important as they restored the balance in negotiations. Serious questions remained, however, about their viability. The speaker also highlighted the role non-governmental organizations (NGOs) had played in Cancun as they had helped developing countries to advance their development agendas. NGOs also identified inequities in the system and flaws in the WTO decision-making process. In this regard, the panellist stated that the

WTO decision-making process has been decried as opaque and secretive as recent years had seen a rise in informal meetings, such as “mini-ministerials”, some of which were “by invitation” only. Furthermore, there were no adequate procedures for selecting chairpersons and functions at WTO meetings. Documents were often distributed late, not allowing enough time for close study. In the end, Ms. Riley chose to declare Cancun to be a qualified success since it had led to the formation of new and effective alliances that kept the development focus in the negotiations. She expressed hope that it might lead to future talks being more transparent, inclusive and democratic. However, the continued dominance by a few member States in WTO, she said, threatened to offset that positive development.

9. Cristina Calvo, Cáritas Argentina, made a presentation on a look at the outcomes of recent meetings of the World Bank and the International Monetary Fund (IMF). She declared that Argentina had patterned its economic reform agenda after the Washington Consensus. Tremendously successful at first, it featured, among other things, privatization and deregulation, economic openness and monetary reform. The success that followed had been labelled the “Argentine miracle”. With the advent of the internal and external debt crisis at the end of the 1980s, the economy had unravelled, leading to a fall in investments, loss of investor confidence and capital flight. As poverty levels rose the consequences had been particularly suffered by women and children. The social collapse endangered social peace. In 2003 alone, Ms. Calvo continued, Argentina had had two IMF agreements, with questionable results. The panellist stated that the talks were always slow and protracted, leading her to question the commitment of the major economies to help Argentina. At the June 2003 meeting with IMF, civil society had asked the latter to revise its operations in order to take into account not only the social effects but also the ethical aspects of its reform prescriptions. For its part, civil society acknowledged its share of responsibility in the crisis and the need to build trust among all stakeholders. Ms. Calvo mentioned that the IMF Managing Director had admitted the disconnection between the economic and social agenda and said that IMF was talking with social organizations on poverty reduction issues. She felt encouraged when the Director described the meeting as “one of the most important” that he had ever attended. She asserted, optimistically, that now was the time to ratify their idea, that is, growth was not fair if it was not socially equitable.

10. According to the speaker, to promote equitable growth in a changed international situation, a renewed attitude, increased cooperation and appropriate tools were needed. Ms. Calvo argued that to address global inequality, the present rules by which the international financial institutions operated had to be modified. Also, the link between civil society and those institutions should be strengthened. Development, she stressed, depended not only on physical capital but also on social capital. She pointed to the arrangement with the international financial institutions in 2002 and 2003 as especially unequal, with Argentina’s debt service amounts being more than what it received in disbursements from the international financial institutions. The speaker bemoaned the lack of an orderly and effective mechanism to solve sovereign debt problems and called for a fair and transparent arbitration process in dealing with debt. Ms. Calvo added that the fall meetings of the Bretton Woods institutions in Dubai had made the world aware of global inequality. Greater participation and more balanced representation of developing and transition economies had to be encouraged. At the meetings, Argentina had proposed an external debt swap for investment in education.

11. Ms. Calvo also made some remarks on the recent WTO ministerial meeting in Cancun. Despite the fact that trade was seen as an engine to reduce poverty, she argued, the developed countries were reluctant to change the current trading rules, since those were geared towards their own interests. Cancun, she stressed, should make the world aware of the inequality in negotiating powers between the developed and developing countries. Ms. Calvo concluded by pointing out that goal 8 of the Millennium Development Goals, which encourages a world partnership for development, conditioned all others while its achievement depended critically on the attitude of the most powerful world economies.

Discussion

12. Ms. Riley was asked how active the NGOs in Geneva were in lobbying for a closer relationship between WTO and the United Nations. The question was raised in the context of the impression that Member States did not want WTO to be organically linked to the United Nations and its activities. The panellist replied that there were many active NGOs in Geneva, including Oxfam, Third World Network and Global South. She emphasized, however, that accreditation procedures in Geneva were cumbersome and not as stable as those at United Nations Headquarters in New York, which were more conducive to the active involvement of NGOs. On a similar note, one NGO representative stated that deliberations on the issue of global governance should be brought under the auspices of the United Nations. The absence of dialogue between WTO and NGOs, and WTO and academia was deplored by another civil society participant. There was a need, the speaker argued, for international thought cooperation between WTO and economists.

13. One delegation (Japan) agreed with the importance of a strong political will to effect changes in development cooperation policies. The representative declared that his country had done its part to enhance development cooperation policies, by increasing aid and increasing the grant portion of aid. He argued that the free trade areas might not be the best solution to global trade problems as the arrangement might leave out some developing countries.

Panel 2: Strengthening the role of the United Nations in democratic global governance: towards new arrangements at the United Nations

Overview

14. The second panel was moderated by Emira Woods, Co-Director of Foreign Policy in Focus at the Institute for Policy Studies. The overriding theme of the Panel was the criticism of the alleged undemocratic nature of the governance of the Bretton Woods institutions and WTO. In order to improve the structure and the social sensitivity of these institutions, panellists called upon the international community to bring them into a new framework led by the United Nations. Such a framework should be subject to a hierarchy of social values, as articulated in the outcome documents of United Nations conferences, including the Monterrey Consensus, and embodied in the Millennium Development Goals.

Presentations

15. Martin Khor, Third World Network, focused on proposals for new arrangements between the United Nations, the international financial institutions and WTO. He stated that the Bretton Woods institutions and WTO had been created for very specific mandates. For instance, whereas IMF had been set up to ensure global financial stability by taming and regulating global and national finance, the World Bank was to provide cheap credit to developing countries. The speaker criticized both institutions for having moved away from their original mandate and for increasingly imposing conditions on countries' policies. In the case of WTO, Mr. Khor deplored its mishandling by developed countries as a vehicle for the protection of their agriculture and textiles industries. Agricultural subsidies used by developed countries combined with low tariffs forced on developing countries had caused unsustainable imbalances in the world trading system, according to the panellist. He also called upon WTO not to exceed its mandates by going into non-trade issues such as, property rights, investment, competition and government procurement.

16. The panellist discussed the role of the United Nations in the social and economic fields. In this regard, he criticized the weakened position of the United Nations Conference on Trade and Development (UNCTAD), which had led to a lack of interest and focus of the international community on such crucial issues as commodity price stabilization agreements. Likewise, the initially influential coordinating and advisory role of the Department of Economic and Social Affairs of the Secretariat should be restored as it had been drastically reduced over the past decades owing to restructuring and downsizing processes. The panellist concluded by urging the Bretton Woods institutions and WTO to return to their original mandates. IMF should concentrate on international financial stability and allow for sufficient national policy space. WTO ought to review the Agreements on Trade-Related Aspects of Intellectual Property Rights and the Agreement on Trade-Related Investment Measures and exclude the Singapore issues from future negotiations. Ultimately, the United Nations should regain its lost territory and act as a repository of guidance to developing countries, re-empowering them through think-tank research and advice.

17. Chandra Patel, Southern and Eastern African Trade Information and Negotiations Institute, made a presentation on proposals for strengthening the Economic and Social Council — new institutional arrangements at the level of the United Nations. Mr. Patel stressed that increasing liberalization of goods, services, capital, investment and labour markets of the past two decades had multiplied the risk of market and government failures and had contributed to growth in incomes inequality, poverty and uncertainty. Hence, there was a need to make more effective the governance of international political and financial institutions. A fundamental reform effort required that the United Nations, the Bretton Woods institutions and WTO be remodelled in tandem as they were currently interlinked and were serving hegemonic interests. For instance, the Economic and Social Council, which was responsible for macro considerations, has not been endowed with any enforcement authority in order to safeguard the special status of IMF, where the United States through its veto power held a complete gridlock on decision-making. According to the speaker, the question of strengthening the Economic and Social Council therefore went beyond matters such as its agenda, methods of work, frequency of meetings or its size and composition. As long as the decision-making system at the

international financial institutions and WTO remained in tact, prospects of meaningful reforms were rather pessimistic, said the panellist.

18. Yet, it remained crucial for civil society to articulate their concerns and support recent signs of issue-based unity among developing countries. In this regard, Mr. Patel proposed to launch an open and regular dialogue with the Group of 20 plus, a group of countries that had formed a consensus in Cancun on Singapore issues and agricultural concerns. Similarly, alliances at the country level among NGOs in such areas as restructuring debt and improving the poverty reduction strategy papers could bring about real change. Even so, the speaker concluded, meaningful revisions of the Charter of the United Nations, including a strengthening of the Economic and Social Council, would need a strong alliance of countries in the South with likeminded countries in the North that spoke with one voice.

19. Gemma Adaba, International Confederation of Free Trade Unions (ICFTU), made a presentation on towards a system of democratic global governance: representation of developing countries and participation of civil society. Ms. Adaba stressed that the NGO community expected the United Nations to improve global governance based on the principle of economic and social justice. The financing for development process represented the appropriate forum to address the reform of the Bretton Woods institutions and WTO. Focusing on the impacts of these institutions' policies on developing countries, she particularly lamented the resulting labour market deregulation as economically and socially unjustified and adversely affecting women. The Bretton Woods institutions and WTO needed to incorporate human and labour rights, gender equality and environmental concerns in their policies. The speaker called for a reform of all international bodies concerned. This effort should amount to a paradigm shift, introducing a hierarchy of social values, standards and norms, embodied in the outcomes of the United Nations conferences of the 1990s, and the human rights treaties and fundamental labour standards of the United Nations system. She proposed, in particular, the establishment of thematic study groups as recommended by the Secretary-General in his report on the implementation of and follow-up to commitments and agreements made at the International Conference on Financing for Development (A/58/216). These should take the form of thematic expert working groups that would allow for adequate participation by a wide range of stakeholders, including Governments, multilateral institutions, the United Nations system, civil society, the business sector, and independent academic experts. Furthermore, the panellist referred to the Secretary-General's recommendation in the aforementioned report, to set up an executive or steering committee of the Economic and Social Council similar to the bureau of the Preparatory Committee for the International Conference on Financing for Development.

20. According to the panellist, such an executive or steering committee should comprise three or four countries from each geographical region. The committee would assist the Economic and Social Council in all matters pertaining to policy coherence, and in particular, the follow-up to the Monterrey Conference, including the preparations for the annual high-level meeting of the Economic and Social Council with the Bretton Woods institutions and WTO. According to Ms. Adaba, this could initiate a paradigm shift towards asserting the role of the Economic and Social Council and prepare for an eventual economic and social security council with 25 rotating seats to replace the current decision-making mechanism of the Group of Eight outside the United Nations system. In the short and medium term,

the annual high-level meeting of the Economic and Social Council with the Bretton Woods institutions and WTO could become the major forum for ensuring the consistency and coherence of the monetary, financial and trading systems in support of development. Coordination and coherence of global governance issues would, she maintained, be further enhanced by the establishment of substantive engagement with the other specialized agencies and funds of the United Nations system, in the context of the annual high-level meetings of UNCTAD, the International Labour Organization, the United Nations Development Programme, the United Nations Development Fund for Women and the Office of the United Nations High Commissioner for Human Rights, as well as through multi-stakeholder processes involving civil society and the business sector. The panellist concluded by focusing on the need for reform of the Bretton Woods institutions. She recommended changing the current voting rights at the Bretton Woods institutions in favour of developing countries, to democratize the selection process of their top management as well as to diversify their policy content and staff geographical and academic background.

Discussion

21. During the discussions following the presentations by the panellists, one representative noted that it appeared that NGOs had failed to appreciate the Doha agreement by developing countries to liberalize as a price for the inclusion of development in the round. Mr. Khor replied that the issue of coherence between the trading system and other policies such as capital account liberalization must be addressed. The Economic and Social Council should create a coordinating mechanism to confront these types of issues. He argued that the Cancun collapse was owing to industrial countries' pushing of certain policies without adequate consensus.

22. The IMF representative mentioned that she believed NGOs were concerned not with getting IMF out of issues such as poverty reduction, but with the way the institution operated. The speaker asserted that IMF was discussing the issue of developing countries representation at its next meeting, with a view to adopting a road map. She argued that the organization was in fact paying more attention to developing country issues, because many of the latter were facing severe maladjustments in their balance of payments, which made IMF involvement necessary. It was also paying attention to the views of civil society, as it regularly consulted with civil society representatives at the country level.

23. Ms. Calvo spoke of the post-crisis situation in Argentina and proposed the establishment of a study group on resolving sovereign debt under a new international rule that protected human dignity. Only such an approach could reconcile the IMF/WTO pressure with domestic needs. One representative (Nigeria) wondered how to reconcile the supposedly pro-growth structural adjustment policies with the increase in unemployment under such programmes.

24. An NGO representative stated that the IMF sovereign debt restructuring proposal was recognition of the inadequacy of its policies, but not a solution. Any such mechanism needed to protect development and be a more integrated one, encompassing reform of the international trade and financial systems. In her second remark, Ms. Adaba emphasized that macroeconomic policies should be subjected to the Millennium Development Goals. Furthermore, she argued that international

priorities and employment considerations should be at the heart of any adjustment policy.

25. The Moderator of the second panel ended the discussion by emphasizing that the purpose of the meeting was to communicate the civil society concerns to the following round-table sessions and plenary meetings of the High-level Dialogue on Financing for Development, in order to promote a fairer, more equitable economic system.

Recommendations

26. **A number of important points were raised during the opening statements, presentations and discussions between representatives of civil society, delegations and other stakeholders that were present. They included the following key proposals made by civil society panellists:**

(a) **Pledges made in Monterrey need to be monitored. This is especially true for Millennium Development Goal 8 on building a global partnership for development, which is currently not being met by developed countries;**

(b) **Several mechanisms to raise resources were identified such as the proposed international finance facility, taxes and levies on the utilization of the global commons, the currency transaction tax and the recovery of assets taken out of developing countries by corruption, which could be agreed in the framework of the financing for development follow-up process and the implementation of the international convention against corruption;**

(c) **The United Nations should recover its role in setting normative standards, particularly in human rights, labour rights and macroeconomic and social policies. The responsibilities of the Bretton Woods institutions and WTO should be limited to their original mandate. WTO should focus on trade, and not expand into non-trade areas; IMF should focus on finance to ensure stability, combat volatility and speculation, and not trade policies by demanding unilateral liberalization; and the World Bank should support well designed projects and not impose structural adjustments;**

(d) **There is need for a supervising body, like a social and economic security council. While such an ambitious reform is negotiated, other concrete steps should be pursued immediately:**

(i) **The voting powers and structures in the Bretton Woods institutions need to be changed to ensure more representation of developing countries in their boards and regular accountability towards the General Assembly;**

(ii) **WTO should be brought into the United Nations family;**

(iii) **A United Nations-led mechanism to ensure fair and balanced burden-sharing during sovereign debt crises should be established. The General Assembly should therefore adopt the recommendation made by the Secretary-General in his report (A/58/216, para. 137) to establish an expert group on external debt;**

(iv) **Informal study groups should be established as recommended by the Secretary-General in his report. These should take the form of thematic**

expert working groups that will allow for an adequate participation by a wide range of stakeholders, including Governments, multilateral institutions, the United Nations system, civil society, the business sector and independent academic experts;

(v) A geographically balanced Economic and Social Council committee or expanded bureau to deal with aspects of the follow-up to the International Conference on Financing for Development should be established as described in the report of the Secretary General (A/58/216, para. 182).
