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Implementation of and follow-up to major United Nations conferences and summits: follow-up to the International Conference on Financing for Development

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Summary

In preparation for the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization, held on 14 April 2003, on the theme "Increased coherence, coordination and cooperation for the implementation of the Monterrey Consensus of the International Conference on Financing for Development at all levels one year after the Conference" (Economic and Social Council decision 2003/209), the Council had conducted public hearings and an interactive dialogue with business interlocutors to the Financing for Development process. The event, chaired by the President of the Economic and Social Council, Gert Rosenthal (Guatemala), took place at United Nations Headquarters on 21 March 2003. The morning session featured panel discussions on the following four topics: (i) Identifying and eliminating business environment impediments to private investment; (ii) Enhancing information, analysis and communication of country opportunities, risks and investment transaction services; (iii) Improving developing country access to long-term finance for infrastructure development and domestic companies; and (iv) Establishing frameworks for collaboration and coordination between the public and private sectors in the implementation of the Monterrey Consensus. Each panel meeting consisted of presentations by business representatives followed by discussions with Council delegates, including questions from the audience. During the afternoon session, business interlocutors provided progress reports on specific initiatives and projects set forth by them at the Monterrey Conference, as well as new ventures. Salient substantive features of the proceedings of the morning and afternoon sessions are summarized below.

I. Morning session: hearings and dialogue with business interlocutors

1. The Chairperson of the meeting, Gert Rosenthal, President of the Economic and Social Council, opened the meeting and welcomed all panellists and participants. In his opening remarks, Ambassador Rosenthal highlighted the imrt.3(ic)]Ts

elapsed since Monterrey, it had become clear that there had been insufficient forward movement on those various fronts

- The business proposals put forward in Monterrey were potentially important contributions, but could only be successful with the full and active business advisory groups as a way of educating both Governments and investors was also emphasized

- Another delegation expressed concern about prospects for foreign direct investment at a time of world economic slowdown. In response, a business interlocutor pointed out that it might be an opportune time for developing countries to build up investment attractiveness to prepare for the next round of capital flows when global growth resumed
- It was noted by delegates that some emerging economies could not avoid financial crises despite having relatively sound financial systems. In that regard, it was also pointed out that to deal with excessive volatility, countries such as Malaysia had had to adopt capital controls. While agreeing that in some cases capital controls might have provided a respite from volatility, a business interlocutor nevertheless emphasized that that was not a long-term solution and should not substitute for economic and financial reforms
- A delegation expressed concern about the problems facing countries whose

approach was more comprehensive than the Sovereign Debt Restructuring Mechanism (SDRM) advocated by the International Monetary Fund (IMF). That comprehensive approach promoted debtor-creditor consultations and information exchange before problems became unmanageable.

11. Robert Sheppard, Managing Director, J. R. Sheppard & Co. LLC, spoke about information required by investors who financed infrastructure projects in developing countries. According to Mr. Sheppard, it was very difficult in practice for investors to find the necessary information to analyse properly the risk of placing money in infrastructure projects. They would also be helped if more details were provided by the official sector on successful projects as well as on the lessons learned and experiences gained in project financing in different developing countries.

Discussion

12. Participants raised the following points:

- Business interlocutors emphasized the importance of Governments and businesses working more closely in order to understand the needs of the other party
- Many speakers stressed that better information was very important to eliminate the difference between perceived and actual risks. In that regard, a business representative also emphasized the great importance for developing countries of ensuring a sustained flow of information to the markets in all times, good and bad. That action would help sustain debt flows and credit relationships
- Business interlocutors and delegations alike pointed out that better information should help investors to differentiate between developing countries and enable them to understand more fully different institutions and environments
- Some delegations questioned the extent to which rating agencies provided reliable information to the market.

Panel 3: Improving developing country access to long-term finance for infrastructure development and domestic companies

Presentations

structured transactions to obtain financing from capital markets had become more important. The international capital markets were the largest and deepest pool of financing in the world and, in conjunction with local capital markets, which represented an essentially untapped source of funds for infrastructure projects, could make a huge contribution to economic development, if effective transaction structures were developed.

Discussion

Discussion

17. The following points were made:

- The need to establish periodic reviews of projects at quarterly meetings at the United Nations with meaningful participation from Governments and business was stressed by business interlocutors. A mechanism for ongoing communication through e-mail would also be valuable

- There seemed to be agreement on the usefulness of joint expert groups targeted on critical problems and results. Donor countries, regional development banks and international financial institutions should support those initiatives. Moreover, it was suggested that benchmarks for the performance of all stakeholders (developing country Governments, donor country Governments, developed country Governments with advice and recommendations that could help increase the level and quality of foreign direct investment. A number of projects had been realized as a result of that initiative, including in the areas of water and electricity

- The New Partnership for Africa's Development (NEPAD) Business Group comprised a number of business organizations around the world that the International Chamber of Commerce had put together in order to support the NEPAD process through strengthening local business and encouraging business-friendly measures by Governments.

20. Ms. Cowan described a Policy Action Group on Venture Capital that her company had established. The objectives of that Group included fostering the

of the United Nations (through financing a consultancy assignment and hosting an expert group meeting on the issue). The discussion paper on the project was posted on the Department's web site (http://www.un.org/esa/papers/htm; Title: Capital Markets Financing for Developing Country Infrastructure Projects). The Global Information Clearinghouse was currently developing a web-based discussion forum service to enable members of the expert group to work in specific topic areas on an ongoing basis.

31. During the discussion on the initiative, participants emphasized the need for developing local capital markets by improving legislative and regulatory environments. It had also been pointed out that there was a need for mitigating various risks by way of political risk guarantee and mechanisms such as a liquidity facility for the devaluation of currency.

Recommendations

32. A number of important points were raised during the opening speeches, presentations and discussions between business representatives, delegations and other stakeholders that were present. They included the following important assertions by business interlocutors:

- **Paying heed to the needs of local investors was an important step towards attracting investors from abroad. In many senses, convincing the domestic investor could be considered a prerequisite for attracting foreign investment since overseas and local investors shared similar concerns. Key obstacles to conducting business identified by both those entities included cumbersome administrative procedures, the lack of communication between foreign business and local Governments, unreliable information and difficulties in finding capital for new entrepreneurial ventures**

- **The absence of adequate/credible information and policy consultation mechanisms were factors that both discouraged investment in developing countries and contributed to macroeconomic instability and crises. It was important that both Governments and the private sector coordinate and cooperate to develop mechanisms that promoted regular consultations and information exchange between different groups of public and private players**

- **Given the high levels of uncertainty facing investors in developing countries, it was increasingly important to have public-private partnerships and forums that developed new innovative financing and risk mitigation schemes. There was also a need to develop transaction structures that attracted funds more effectively from the international capital markets to finance infrastructure projects in developing countries**

- **A framework should be established to facilitate communication, cooperation and coordination between public and private sectors in implementing the Monterrey Consensus. The Financing for Development secretariat could play an important role in establishing and organizing the framework. There was also a need for cooperation between public and private sectors in raising finance to ensure the implementation of numerous initiatives proposed by business representatives in the area of financing for development. Governments, multilateral institutions and**