

Ministerial Round Table 7

The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the achievement of the Declaration, and the promotion of sustainable development, sustained economic growth and the eradication of poverty with a view to achieving an equitable global economic system

Summary by the Co-chairs

additional claims on domestic financial resources, including those associated with HIV/AIDS, pose new challenges for many governments.

FOREIGN DIRECT INVESTMENT

Participants noted that recently foreign direct investment has been lower than in the past despite reforms undertaken in many countries. This is in part due to slower growth in the world economy and points to the need for greater coordination in macroeconomic policies especially among developed countries with large economies. It was pointed out that there remains a tendency for FDI to be concentrated in a few countries and in a limited number of projects.

International Trade

Participants called the recent Cancun meeting a major setback and stressed the importance of trade as a key agenda item of the financing for development process.

A lack of significant initiatives and leadership could threaten the Monterrey pledge to create a multilateral trading system in support of development. Consequently, discussants called on each other to consider a message from the High Level Dialogue that the Doha negotiations should be re-started as quickly as possible and with a clear commitment to putting development back at the center of the trade agenda.

Discussants noted that agricultural subsidies by developed countries combined with low tariffs in the developing world are causing unsustainable imbalances in the world trading system. Ensuring market access for developing countries (especially for agricultural and textile products), and ending agricultural subsidies by developed countries were seen as the most pressing concerns on the trade agenda. Discussants also underscored the urgency of addressing outstanding implementation issues and special and differential treatment. Some participants warned against expanding the trade system into non-trade areas. In this regard they called for the exclusion of the Singapore issues from future negotiations and a review of the TRIPs and TRIM agreements.

OFFICIAL DEVELOPMENT ASSISTANCE

Participants focused on the progress achieved in increasing the volume and the effectiveness of flows of Official Development Assistance (ODA) to recipient countries.

It was noted that while various initiatives announced at Monterrey (e.g. the Millennium Challenge Account of the US) have not yet been fully implemented, the declining trend of ODA is reversing. Discussants commended donor countries that meet or exceed the agreed ODA target of 0.7% and urged others to follow suit. In light of the fact that net resource transfers to developing countries are still negative participants underscored the need to rapidly increase the volume of aid and disburse it quickly in a predictable timeframe. The proposal for an International Finance Facility was seen as an important potential mechanism that should be seriously considered by the international community. It was also noted that the World Solidarity Fund established at the Johannesburg Summit could become another source of finance once it is adequately funded. Speakers emphasized that ensuring and increasing the quality of aid is critical. In this regard, the Rome Declaration on Harmonization was seen as a crucial effort to harmonize and reduce multiple requirements of donor countries on developing countries and assist the latter in taking charge of their own development process.

DEBT

Many participants stressed that unsustainable debt levels prevent many developing countries to achieve the MDGs. The Heavily Indebted Poor Countries (HIPC) initiative was welcomed as an important instrument for debt relief. However, most speakers pointed to the [REDACTED] point. In this regard, it was suggested that eligibility criteria should be more flexible to include

COHERENCE

Speakers emphasized that there should be more coherence and consistency between financial, monetary and trade policies in order to sustain development. They called for developed country policy makers to take into account global development prospects while making decisions on various economic, social and financial issues. In this regard, bringing trade issues in FfD was considered as an important move forward. More generally, many participants emphasized that there was a need of reform of multilateral system. One aspect of the reform is to further stimulate the participation of civil society and private sector.

CONCLUSION

Many speakers considered that financial outflows from developing countries were the most important indication that the objectives set in the Monterrey Consensus had not been fulfilled yet, despite progress on many individual issues. At the same time it was widely agreed that Monterrey was an ongoing process along with other global initiatives, and a point of departure for promoting development.

Participants highlighted the critical role that the annual Spring High Level Meeting of ECOSOC with the BWIs and WTO plays in maintaining the momentum of the Monterrey Process. The establishment of working groups on major agenda items of the Monterrey Consensus and the strengthening of the FfD Office were suggested to enhance the effectiveness of financing for development.