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PART II OF THE THIRD PREPARATORY COMMITTEE FOR THE INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT: 15-19 OCTOBER 2001

Five days of informal consultations begin today that will conclude the second half of the Third Preparatory Committee (PrepCom) for the International Conference on Financing for Development (FfD), scheduled to take place in Monterrey, Mexico, from 18-22 March 2002. The PrepCom will discuss the Draft Outcome (A/AC.257/25) prepared by FfD Facilitator Mauricio Escanero (Mexico). This document includes three sections: Towards a fully inclusive and equitable globalization; Confronting the challenges of financing for development: leading actions (with sections on mobilizing domestic financial resources, mobilizing international private resources, international trade, international financial cooperation, sustainable debt financing, and systemic issues such as international financial architecture, global governance and the role of the United Nations); and Staying engaged. During this week's session, the PrepCom is expected primarily to debate the concept and overall content of the Draft Outcome. Some delegations have already expressed difficulties with the proposed text, stating that it should not include references to the mandates of international financial institutions, globalization, or increasing resource flows from developed to developing countries. Others have contended that the document is overly weighted in favor of international initiatives.

A BRIEF HISTORY OF FFD

52ND GENERAL ASSEMBLY: In June 1997, the General Assembly (GA) adopted the Agenda for Development, which called for consideration of the idea of holding an international conference on financing for development. Subsequently, during its 52nd session in December 1997, the GA adopted resolution 52/179, which notes the need for systematic, comprehensive and integrated high-level international intergovernmental consideration of financing for development, and creates an *ad hoc* open-ended working group to meet during the GA's 53rd session in order to formulate recommendations on the form, scope and agenda of this consideration.

53RD GENERAL ASSEMBLY: During its 53rd session in 1998, the GA adopted resolution 53/173, which requests: the *ad hoc* working group to submit its recommendations to the GA during its 54th session; the President of the GA to serve as *ex officio* Chair of the *ad hoc* working group and to designate two Vice Chairs; and the Bureau of the GA's Second Committee to organize briefings or panel discus-

sions on important topics that could enrich the deliberations of the working group. The resolution followed the first formal meetings ever between delegates to the Economic and Social Council (ECOSOC) and high-level officials of the International Monetary Fund (IMF) and the World Bank.

AD HOC WORKING GROUP: From December 1998 to May 1999, the working group held six sessions, including two informal consultations. During this period, two panels were also convened to elicit comments from business leaders and non-governmental organizations (NGOs). The working group discussed the Index Report (A/53/470), which had been prepared by the Secretariat to look at recurring themes and key elements identified in responses to a questionnaire sent to stakeholders in the FfD process. At its final session, the working group adopted a report of recommendations (A/54/28) to forward to the GA on the form, scope and agenda of the high-level intergovernmental event, proposed for 2001. The report: recommends that the event address national, international and systemic issues relating to financing for development in a holistic manner in the context of globalization and interdependence; notes that by so doing, the event will also address development through the perspective of finance; and underscores that the event should also address the mobilization of financial resources for the full implementation of the outcome of major conferences and summits organized by the UN in the 1990s and of the Agenda for Development. For both the preparatory process and the final event, the report stresses the participation of all relevant stakeholders, the active partnership of the IMF and World Bank, and the participation of the World Trade Organization (WTO).

54TH GENERAL ASSEMBLY: In December 1999, the GA adopted resolution 54/196, which endorses the report of the *ad hoc* working group and decides to convene an event of political decision makers, at least at the ministerial level. It establishes a Preparatory Committee and a schedule for initial meetings; calls on the Secretary-General to consult with the IMF, World Bank and the WTO and share the results of these consultations with the PrepCom; and decides to constitute a 15-member Bureau that would continue consultations with relevant stakeholders.

ORGANIZATIONAL SESSIONS: The PrepCom met in organizational sessions in February, March and May 2000 at UN headquarters in New York to deliberate on preparations for the substantive PrepComs and the high-level event; the organization of the coordinating Secretariat; and arrangements for future sessions of the PrepCom. At its first and second meetings in February, it elected a 15-member Bureau, including Amb. Jorgen Bojer (Denmark) and Asda

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Jayanama (Thailand) as Co-Chairs. At meetings in March and May, the PrepCom considered the first report of the Bureau (A/AC.257/6), on the modalities of the participation of all relevant stakeholders, and the second report of the Bureau (A/AC.257/8), on preparations for the substantive preparatory process. The PrepCom drafted a resolution (subsequently adopted as 54/279), which welcomes the Bureau report on participation and calls for, *inter alia*, setting up a three-tiered consultative mechanism with the World Bank that would involve regular contact between the Bureau and members of the Bank's Board of Executive Directors as well as the holding of regional consultations. On 30 May 2000, the organizational sessions concluded with delegates agreeing to forward all outstanding issues to the first substantive session of the PrepCom.

PREPCOM I: The first substantive sessions of the PrepCom for FfD were held in New York on 31 May and 2 and 25 June 2000. Delegates adopted the provisional agenda (A/AC.257/7) and Facilitator Escanero, who had led a set of informal consultations on a preliminary substantive agenda, informed the PrepCom of progress in these discussions. Delegates agreed that this agenda should include reference to several general categories of issues, on the understanding that the agenda would evolve during the preparatory process. The categories included: mobilizing domestic financial resources; mobilizing international resources for development; trade; international financial cooperation for development; debt; and systemic issues including, *inter alia*, enhancing the coherence of the international monetary system to support development. At resumed substantive sessions on 30 October and 16, 20 and 27 November 2000, the PrepCom continued its discussion of preparations and the accreditation of NGOs and business representatives.

HEARINGS WITH CIVIL SOCIETY AND THE BUSINESS COMMUNITY:

The PrepCom also held panel discussions with civil society on 6-7 November 2000 and with the business community on 11-12 December 2000. Civil society representatives specified priorities including curbing the volatility in the international financial system, dealing comprehensively with debt and strengthening the role of the UN on economic issues. Business community spokespersons highlighted, *inter alia*, the need for developing new tools to understand risks in the international financial system, the importance of fair treatment from government authorities, and ways to attract foreign direct investment.

55TH GENERAL ASSEMBLY: In December 2000, the GA adopted resolution 55/213, which welcomes the progress made in consulting with stakeholders and decides that the FfD event should be scheduled in the first quarter of 2002 and that the PrepCom should hold a final session from 14-25 January 2002.

PREPCOM II: The second substantive session of the PrepCom for FfD took place from 12-23 February 2001, in New York. The PrepCom adopted the agenda for the session (A/AC.257/20) and reviewed inputs to the substantive preparatory process and preparations for the FfD event. In a draft resolution (subsequently adopted as 55/245), the PrepCom decides that the name of the FfD event would be the International Conference on Financing for Development; that it would be held in Monterrey, Mexico; and that it would include a summit. Delegates also agreed to forward a "concise identification of possible initiatives and themes" to the Secretariat and the Facilitator, who would prepare a working paper as the basis for further discussions during the third PrepCom. In addition, delegates discussed issues related to the six themes identified in the preliminary substantive agenda. For each item, the G-77/China presented a paper on its positions, with the EU responding with informal presentations. Some national delegations spoke as well, along with UN agencies and a limited number of NGOs. The PrepCom Co-Chairs provided a summary of the sessions at the end, with lists of issues for further consideration including: the linkage between domestic policies and a supportive international economic environment, areas of inconsistency between the trade regime and development goals, creation of a

debtor's club for nations to collectively negotiate debt relief, and enhancement of the capacity of multilateral organizations to provide emergency financing.

PREPCOM III, PART 1: The first part of the third substantive session of the PrepCom for FfD took place from 30 April to 11 May 2001, in New York. The PrepCom adopted its agenda (A/AC.257/21) and elected Amb. Ruth Jacoby (Sweden) as Co-Chair to replace Amb. Bojer. Delegates then considered the compilation of initiatives or themes submitted by governments: note by the Secretary-General (A/AC.257/23 and Add.1); the working paper prepared by the Facilitator (A/AC.257/24); and the third report of the Bureau (A/AC.257/22, Rev.2), which describes the Bureau's progress in discussions with stakeholders. They also discussed a document from the WTO entitled "WTO Membership Contribution to the International Conference on Financing for Development Preparatory Committee."

In a draft resolution (subsequently adopted as 55/245 B), the PrepCom requested that the first draft of the proposed outcome document, based on the Facilitator's working paper, be presented at the resumed Third PrepCom in October. The resolution also decides that the conference will include both a ministerial segment and a high-level summit for heads of state and government; invites all relevant stakeholders to continue their support of the FfD process, including through concrete initiatives such as expert panels; requests the Secretariat in consultation with the Bureau to work with the business sector to draw on its perspectives relevant to the substantive agenda items; and requests the Bureau to prepare a proposal for rules of procedures for participatory round tables or other appropriate arrangements at the various segments of the conference. During the PrepCom, delegates participated in a one-day panel with business representatives and unions, which made proposals ranging from the holding of a business forum in conjunction with the conference to organizing multi-stakeholder roundtables on enhancing the development impact of investment.

At the end of the meeting, the Co-Chairs issued a statement summarizing the substantive discussions held in informal closed meetings, and referred to the FfD process as a "rich feast for discussion" that is allowing the emergence of a "coherent assemblage" of governments and international institutions supported by civil society and the business sector. They said a number of policy priorities were emerging, including: ensuring good governance and a sound macro-economic framework; developing institutional arrangements for UN/WTO dialogue; working toward greater flexibility in aid provision; involving private creditors in the resolution of debt crises; and developing appropriate arrangements for capacity building of developing countries in making international finance and trade policy.

ZEDILLO REPORT: In June 2001, former Mexican President Ernesto Zedillo, appointed by the UN Secretary-General to head a High-Level Panel on Financing for Development, released a report from the panel at UN headquarters. The report contends that better governance of the global economic system, significantly higher levels of aid and freer markets would go a long way toward achieving the international development goals defined during the world conferences and summits of the 1990s. Recommendations include considering the possibility of an Economic Security Council, establishing a multilateral Commodity Risk Management Scheme for less developed countries, shifting aid to a "common pool," and creating an international tax organization.

THINGS TO LOOK FOR TODAY

PLENARY: Delegates will gather in Conference Room 2 for the opening of the PrepCom to discuss the content of the Draft Outcome prepared by the Facilitator. The morning session will include: adoption of the proposed organization of work (A/AC.257/L.7); elections to the Bureau; consideration of additional NGOs and business sector entities for accreditation; and the introduction of reports. The afternoon session will review inputs to the substantive preparatory process; present technical notes; introduce the Draft Outcome; and begin discussion of the document's first section, on globalization.