



FFD PREPCOM HIGHLIGHTS: TUESDAY, 16 OCTOBER 2001

In the third and fourth sessions of the resumed Third PrepCom for the Financing for Development (FfD) process, delegates gathered for a day of formal and informal consultations. In the morning session, delegates heard special presentations and then continued with general discussion. Informal consultations on sections one and two of the Draft Outcome began in the afternoon.

SPECIAL PRESENTATIONS

At 10:10 am, Co-Chair Jacoby convened the PrepCom and announced presentations from two speakers. UN High Commissioner for Human Rights Mary Robinson condemned the September 11th attacks as crimes against humanity and welcomed the UN's unprecedented spirit of cooperation in combating terrorism. Calling for increased resources for development, she contended that financing for development is the best investment to ensure security for all. She underscored the need for democracy, the rule of law, good governance and respect for human rights, and expressed concern that a human rights framework is "currently absent" in the Draft Outcome.

Angela King, UN Assistant Secretary-General and Special Adviser on Gender Issues and the Advancement of Women, detailed links between gender issues and the FfD process and urged delegates to include gender perspectives. She emphasized the increasing number of economists demonstrating that macro-economic policies and institutions lacking a gender perspective are not economically effective.

DRAFT OUTCOME

During general discussion, the US called the right to development an illusion, because development can only be earned and not given from outside. He stressed that basic resources must come from within countries, and outlined three fundamental prerequisites for development: peace, freedom, and capitalism. He commended the capitalist model, in its different forms, as the only model that works. The goal of the FfD process, he claimed, should not be to negotiate changes in the system but to integrate countries into it. Urging that the Conference's primary document should be a one-page political declaration expressing will and commitment, he underscored continuous dialogue with all stakeholders, including existing international institutions, the private sector and NGOs. He concluded that delegates cannot negotiate development, but can, together, explore how to finance it.

SAMOA, on behalf of the Alliance of Small Island States (AOSIS), defined the FfD process as an opportunity to address disparities of income and wealth and cure conditions of poverty. He also

noted priority areas with cross-sectoral implications for SIDS, including capacity and institution building. AUSTRALIA expressed disappointment in the Draft Outcome's lack of focus on national policies. Calling for a new draft, she emphasized, *inter alia*: creating environments for sound domestic policies that attract international capital flows; an open trading system and multilateral trade negotiations; greater recognition of the role of ODA without unrealistic increases; and implementation of the Heavily Indebted Poor Countries (HIPC) initiative. CANADA cautioned against duplication of efforts and attempting consensus on issues where no consensus exists. He supported concrete proposals enabling countries to expand development initiatives, develop a sense of ownership and make international aid more effective.

The LAO PEOPLE'S DEMOCRATIC REPUBLIC, on behalf of the group of 30 landlocked developing countries, noted that these countries' geographic handicaps make them less attractive for foreign investment. He emphasized the negative effects of high transport costs on economic and social development. ZAMBIA stated that domestic policies alone are not sufficient for development, and drew attention to trade barriers imposed by developed countries. Noting shared responsibilities, she called for: flexibility on debt financing, meeting ODA commitments, and conflict resolution. BANGLADESH, on behalf of least developed countries (LDCs), highlighted poverty eradication and called for massive redirection of resources to the LDCs. He emphasized international commitments on capacity building and technical assistance, and the need to strengthen non-discrimination and transparency in international trade.

The DOMINICAN REPUBLIC stated that development is essentially a domestic task, and stressed national responsibilities in fighting corruption and tax evasion. He suggested the Draft Outcome include, *inter alia*: a chapter on the global economic recession and direct references to the WTO negotiating process. He supported reinventing conditionalities and discontinuing barriers to developing country exports. ALGERIA asked the PrepCom to recognize responsibilities assumed by developing countries in promoting development. He stressed commitment to, *inter alia*, fulfilling ODA agreements; reducing special treatment for certain African countries; and gaining a better understanding of how "rich countries" assess the needs of LDCs. BELARUS asked the PrepCom not to "sweep away all the good things" in the Draft Outcome. He said that LDCs cannot make contributions to global development, and proposed that the PrepCom focus on disparities in countries' capabilities.

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Acknowledging that elements of the Draft Outcome are controversial, PERU called upon the PrepCom to achieve balance. He proposed focusing on human rights and poverty eradication; "meshing" the public and private sectors; and fostering FDI. CUBA pointed out that recent events have underlined "interdependence," however a "polarization of benefits" continues to exist. He called peace vital for development and maintained that the FfD process is an opportunity to: spur the flow of international funds; create better access to markets; relieve external debt; bring developing countries into decision-making; address systemic issues; and combat poverty. NEW ZEALAND focused on five areas of the Draft Outcome needing further attention: more innovative use of ODA; international cooperation between development and financing agencies; improving conditions for developing country participation in global trade; meeting the needs of SIDS; and stakeholder-driven reforms of international institutions.

The Organization for Economic Cooperation and Development (OECD) stressed its commitment to the goal of achieving globalization benefits for all and willingness to work with the UN. NEPAL supported the statement on landlocked countries and emphasized the importance of coherence in economic policy frameworks. He identified challenges such as widening resource gaps in developing countries and stressed the need for flexibility and ownership in efforts to untie aid. The UN Development Programme (UNDP) underscored its commitment to Conference objectives and asked for directives on how it can assist in reaching these. He highlighted the importance of, *inter alia*: strengthening global solidarity and the operational activities of the UN at the national level.

BRAZIL supported realistic demands on stakeholders and noted a lack of consistency between speech and practice in some developing countries with regard to creating a fair international development environment. BURUNDI stressed the interdependence of all relevant issues, including increases in ODA and debt relief to reduce poverty. He called for doubling ODA levels; maintained good governance, peace and democracy are key to achieving sustainable development; and asked the international community to support the African Initiative. The G-77/CHINA stressed the need for a substantive outcome and called for following the PrepCom's original task of shaping the Draft Outcome proposed by the Facilitator.

In the afternoon, the WORLD ASSOCIATION OF CITIES AND LOCAL AUTHORITIES expressed concern for the lack of reference to local authorities in the Draft Outcome and the FfD reports. He called local support critical when considering taxation, sources of finance, corruption, and housing and urban development. SUDAN contended developing countries must be well-represented in the FfD process, and requested the UN system to support this participation.

Co-Chair Ahmad summarized the formal segment of the PrepCom by stating that everyone is striving for common ground. He clarified that developed countries expect developing countries to promote: reform, governance and the rule of law, investment in the social sector, poverty eradication programs, environmental security, and macro-economic stability through fiscal discipline. Developing countries expect developed countries to: make the global trade regimes transparent and equitable, refrain from using countervailing duties, refrain from linking trade to social issues, reduce the debt burden, and support capacity building. The PrepCom then commenced informal consultations on the Draft Outcome.

SECTIONS ONE AND TWO: In section one, on inclusive and equitable globalization, the G-77/CHINA proposed that the PrepCom substitute the phrase "global economic system" for "globalization." In paragraph one, he proposed adding elements on social justice and poverty eradication along with general references to development and governance. He also suggested adding subparagraphs on transparency and predictability to paragraph four, on the principles of global economic and social governance. In section two, on leading actions for confronting FfD challenges, he highlighted linkages between domestic policies for mobilizing resources and the external environment, and the need to enhance global partnerships in order to support regional partnerships. He expressed reservations on a reference to domestic resources as a foundation for self-sustaining development, objected to

listing concrete policies for good governance, and suggested adding the concept of institutional development. He supported references to a "responsible" business sector and to "sustained" instead of "sustainable" investments and economic growth.

In section two, the EU emphasized national responsibilities for mobilizing resources, capacity building and maintaining the rule of law. He asked that references to domestic responsibility for good governance be mainstreamed throughout the text, and suggested adding references to capital flight, public-private partnerships and microcredit policies. He also stressed the importance of addressing the root causes of corruption and reforming state-owned enterprises. Noting global objectives to address the needs of the poorest, the EU stated that poverty reduction is the overall objective in resource mobilization, and expressed dismay that investment in social sectors such as education and health is only briefly mentioned.

Supported by the REPUBLIC OF KOREA and BRAZIL, NORWAY proposed that language on national and international efforts in the chapeau of section two be incorporated into section one. He also proposed adding references in section two to vulnerable groups, conflict resolution, participatory approaches, microfinance and capacity building. The IMF expressed disappointment that a better balance could not be found with regard to national and international actions. He said that the FfD process should harness support for Millennium Summit goals and highlighted, *inter alia*, IMF initiatives in technical assistance. JAPAN stressed the need for short, concrete declarations in discussions on the Draft Outcome. MEXICO stated that: a conceptual discussion should emphasize ideas rather than language; the debate should focus on finance; and globalization must be discussed although it is not the primary concern of FfD.

The REPUBLIC OF KOREA called for reconsideration of conceptual approaches in section one, stating that paragraph two, on polarization, was too "radical," and calling for a redefinition of equity in paragraph four. In section two, he supported reference to human rights and opposed reference to migrant workers. BRAZIL suggested further defining global public goods in section one and good governance in section two, and generally agreed with language on corruption measures. In section one, CHINA supported the concepts of reforms in trade and monetary regimes, and proposed references to transparency and common but differentiated responsibilities. In section two, he emphasized, *inter alia*, that mobilization of domestic resources should be accompanied by an enabling environment and combined with efforts to establish a new economic order.

NEPAL said that managing expenditures and enhancing revenues are prerequisites for a sound macro-economic framework and financial sector management. He proposed reworking paragraphs seven to 10 to better reflect the mobilization of domestic financial resources. GUATEMALA urged the UN not to encroach on the mandates of the Bretton Woods Institutions, and specified that financing is merely a tool for achieving development. PERU said development cannot be divorced from globalization, and highlighted the principles of transparency and accountability because of their centrality in sound governance. He stressed, *inter alia*, the need to address capital flight and to take cooperative action to combat corruption.

IN THE CORRIDORS

On day two of the PrepCom, different quarters expressed widely divergent views on the surprisingly tough statement of one key player, who had been expected these days to be in a more conciliatory mood. Power brokers in a major negotiating bloc shrugged off what they called the tone of "disrespect." Whatever the comments on the Draft Outcome, they said, negotiations await...

THINGS TO LOOK FOR TODAY

PLENARY: Delegates will meet in Conference Room 2 at 10:00 am to continue discussing the Draft Outcome document. In the morning, President Lennart Båge of the International Fund for Agricultural Development will speak on behalf of his agency, the World Food Programme, and the Food and Agriculture Organization. The PrepCom will then continue discussing the Draft Outcome document.