



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

The resumed Third Preparatory Committee (PrepCom) for the International Conference on Financing for Development (FfD) took place from 15-19 October 2001, at UN headquarters in New York. The Conference is scheduled to convene in Monterrey, Mexico, from 18-22 March 2002. Delegates from 140 countries attended, as did representatives from specialized agencies and other organizations of the UN system, intergovernmental organizations, and non-governmental organizations (NGOs).

Delegates met in Plenary throughout the week to engage in a conceptual discussion of the Draft Outcome (A/AC.257/25) prepared by FfD Facilitator Mauricio Escanero (Mexico) and the FfD process. General debate on Monday and Tuesday was followed by comments and recommendations on the three sections of the Draft Outcome. Delegates agreed that the Facilitator should take note of their suggestions and redraft the document by the end of November 2001, for consideration at the Fourth PrepCom in January 2002. The Plenary also elected new officers to the Bureau and addressed accreditation issues, the fourth report of the Bureau, rules of procedure, an update on activities toward the Conference, and reports and technical notes.

The PrepCom opened on a divisive note, with delegates expressing strong disagreement over the content of the Draft Outcome. Developed countries expressed concern that the document overemphasized international actions. Some suggested that the text should be withdrawn. Developing countries maintained that the Draft Outcome should serve as the basis for discussion, and the G-77/China offered commentary on the text. By the end of the week, hardline positions had softened slightly and talks on systemic issues, which some delegates had predicted would pose the greatest challenges of the meeting, took place with cordiality and engagement. Observers called the resumed Third PrepCom a critical point in the FfD process and expressed optimism about the prospects for Monterrey. They emphasized that the opportunity for governments and stakeholders to

exchange ideas may be as important to FfD as the substance of an agreed outcome text.

A BRIEF HISTORY OF FFD

In June 1997, the UN General Assembly (UNGA) 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 UNGA 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 UNGA's 53rd session to formulate recommendations on the form, scope and agenda of this consideration.

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

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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 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 UNGA 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 UNGA 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 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 cooper-

ation 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. The business community 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 UNGA 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 decided 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 decided that the conference will include both a ministerial segment and a high-level summit for heads of state and government; invited all relevant stakeholders to continue their support of the FfD process, including through concrete initiatives such as expert panels; requested 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 requested 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. 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 for 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.

PREPCOM REPORT

Co-Chair Amb. Jacoby opened the resumed Third PrepCom on Monday, 15 October, and welcomed all participants, including governments, stakeholders in the FfD process and representatives of international organizations. She stressed the importance of the FfD process in meeting international development targets and the goals outlined in the Millennium Declaration.

The PrepCom then proceeded to elect Amb. Shamshad Ahmad (Pakistan) as Co-Chair to replace Asda Jayanama (Thailand). Delegates also elected three new Vice Chairs to the Bureau: Amb. Srgjan Kerim (Macedonia), Marco Balarezo (Peru) and Amb. Chuchai Kasemsarn (Thailand). Other Vice Chairs include: Hazem Fahmy (Egypt), who also served as Rapporteur; Amb. Ivan Simonovic (Republic of Croatia); Jana Simonová (Czech Republic); Amb. Ellen M. Loj (Denmark); Kwabena Osei-Danquah (Ghana); Amb. Gert Rosenthal (Guatemala); Amb. Yoshiyuki Motomura (Japan); Sonia Leonce Carryl (St. Lucia); Amb. Mubarak Hussein Rahmtalla (Sudan); and John Davison (US)

In his opening remarks, Co-Chair Ahmad stressed teamwork between developed and developing countries; underscored strong, equitable and participatory partnerships among various actors and

financial systems; expressed confidence in the continued involvement of the IMF and the World Bank; and emphasized that the Conference is only the first step in a larger process.

The PrepCom then agreed to conduct meetings of the Plenary primarily as informal consultations, and to allow all organizations accredited to the FfD process to attend. Delegates adopted the proposed organization of work (A/AC.257/L.7*) and agreed to accredit the Asian Development Bank and the Common Fund for Commodities as well as a list of NGOs (A/AC.257/10/Add.4) and business entities/organizations (A/AC.257/30) recommended by the Bureau. Co-Chair Jacoby presented the Fourth report of the Bureau on preparations (A/AC.257/29) and its addendum on draft provisional rules of procedure (A/AC.257/29/Add.1). Vice Chair Simonová outlined the discussions, as reflected in the report of the Bureau's open-ended task force on the format of the Conference. She emphasized the multi-sectoral nature of the format across the Conference's high-level, ministerial and summit segments. She also noted changes to the rules of procedure to allow for the election of a 25-member General Committee and for the participation of civil society and the business sector in public meetings of the Conference.

Co-Chair Ahmad introduced the report of the High-level Panel on Financing for Development (A/55/1000) with a note from the Secretary-General. UN Executive Co-Coordinator Oscar de Rojas presented: the Update on activities planned or undertaken in the respective areas pursuant to UNGA resolution 55/245 B (A/AC.257/26), and a series of technical notes related to the FfD substantive agenda (A/AC.257/27/Add.1-Add.10).

During the Monday afternoon session, Facilitator Escanero introduced the Draft Outcome (A/AC.257/25), advising the PrepCom to undertake conceptual discussions and noting that in the weeks following the close of the PrepCom he would incorporate Member States' ideas and concerns in a revised version of the text. He underscored multilateralism, sustainable people-centered development, and economic and social justice, while also highlighting states' responsibility for economic and social development and the need for an enabling international environment. Co-Chair Ahmad said the FfD process should aim to transmit dividends of prosperity and strengthen cross-sectoral partnerships in pursuit of development, and stressed a spirit of mutual cooperation.

The PrepCom then proceeded to meet for 11 Plenary sessions during the course of the week, chaired alternately by Co-Chairs Jacoby and Ahmad. Following a general debate, delegates discussed each section of the Draft Outcome, offering comments on both the general concept of the document and on specific references within the text.

GENERAL DEBATE

On Monday and Tuesday, the PrepCom held a general debate on the Draft Outcome and the FfD process. While the PrepCom mandate was to conduct a conceptual discussion on the Draft Outcome prepared by the Facilitator, delegates disagreed from the beginning about whether the paper was an appropriate basis for the debate, raising issues related to structure and content.

The G-77/CHINA said the outcome should consist of a set of principles and action-oriented initiatives with specific timetables, as well as a follow-up mechanism for implementation, monitoring and review. He suggested that the Facilitator prepare a second Draft Outcome to be discussed during inter-sessional meetings in December and a third draft for the fourth session of the PrepCom in January 2002. In independent statements, many G-77/China countries accepted the Draft Outcome as a basis for discussions, but urged elaboration of its content. They drew attention to issues such as: trade barriers, flexi-



bility on debt financing, meeting official development assistance (ODA) commitments, conflict resolution, technical assistance and capacity building. A number of delegates contended that domestic policies alone are not sufficient to ensure development, and noted the FfD process must focus on creating an environment for development opportunities to flourish.

Chile, on behalf of the Rio Group, urged elaboration of the Draft Outcome's content and supported: good governance; government responsibility for mobilization of private and domestic resources; better access to capital markets; and adequate financing for global public goods (GPGs). Cuba noted that recent events have underlined "interdependence," however a "polarization of benefits" continues to exist. He maintained that the FfD process is an opportunity to spur the flow of international funds; bring developing countries into decision-making; address systemic issues; and combat poverty.

Other G-77/China members addressed the concerns of specific groups of countries, including Nauru, on behalf of the small island developing States (SIDS), who questioned how FDI could be attracted to "risk" economies. Laos, on behalf of 30 landlocked developing countries, noted that these countries' geographic handicaps make them less attractive for FDI and emphasized the negative effects of high transport costs. Bangladesh, speaking for the least developed countries (LDCs), highlighted poverty eradication and called for massive redirection of resources to the LDCs.

Developed countries expressed problems with the balance of the Draft Outcome, noting an over-emphasis on international actions. They stressed issues such as domestic policy reform, governance, the rule of law and macroeconomic stability through fiscal discipline. The EU proposed less focus on systemic issues and more on mutual responsibilities. He called for an integrated approach highlighting partnership, improving trade among developing countries, strengthening their production capacity, stepping up regional coordination and integration, good governance, conflict prevention and sustainable debt management.

The US initially rejected the Draft Outcome as a basis for negotiations. He called the right to development an illusion, stressed that basic resources must come from within countries, and outlined three fundamental prerequisites for development: peace, freedom, and capitalism. The goal of the FfD process, he claimed, should not be to negotiate changes in the capitalist 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.

Australia also called for a new Draft Outcome, while Japan emphasized that the document should offer a more concise and positive message. Switzerland maintained that the current version contains vague and general language and gives too much weight to globalization. New Zealand focused on areas it said needed further attention, including stakeholder-driven reforms of international institutions. Norway suggested the Draft Outcome be concise and focus on issues where consensus is emerging.

Among countries with economies in transition (EITs), the Russian Federation said FfD's task is to draw on international experience to help governments of developing countries and EITs to determine the most effective use of both domestic resources and international financial flows for development. Belarus proposed that the PrepCom focus on disparities in countries' capabilities.

SPECIAL PRESENTATIONS: The PrepCom listened to presentations from a variety of speakers at the start of morning sessions on

Tuesday, Wednesday and Thursday. Under-Secretary-General for Economic and Social Affairs Nitin Desai emphasized that the FfD process is particularly important at this moment in history. He remarked that the "rapid slowing down of the world economy" to a growth rate of 1.4 percent, due partly to the recent terrorist attacks, enhances the need for a productive FfD process that would "instill major confidence and an important positive boost." UN High Commissioner for Human Rights Mary Robinson condemned the 11 September 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.

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. Lennart Båge, President of the International Fund for Agricultural Development, spoke on behalf of the World Food Programme and the Food and Agriculture Organization. He underscored the significant drop in ODA, and said that without the mobilization of new resources, the agencies' quest for a world free of poverty and hunger is unattainable. Rubens Ricupero, the Secretary-General of the UN Conference on Trade and Development, underlined LDCs' limited capacity to bail out their industries or stimulate their markets. He asked the PrepCom to help ensure FfD is an ordered process with a balanced agenda, geared toward improving governance and coherence in policy.

PARTNERS AND STAKEHOLDERS: Partners and stakeholders also contributed to the general debate. The World Bank expressed concern over decreased growth rates and increased poverty levels, noting the adverse affect on the developing world. He called the FfD process a great opportunity for balancing national initiatives and "realism." The IMF agreed, and expressed hope for a strategy that would mobilize domestic resources as well as increase ODA and improve its delivery. He supported better dialogue instead of the creation of new 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. The UN Development Programme (UNDP) highlighted the importance of strengthening global solidarity and the operational activities of the UN at the national level. 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.

THE DRAFT OUTCOME

From Tuesday to Friday, delegates offered specific comments on the Draft Outcome, with discussions taking place on each of the document's three sections: Towards a fully inclusive and equitable globalization; Confronting the challenges of financing for development: Leading actions (with six chapters: mobilizing domestic financial resources, mobilizing international private resources, international trade, international financial cooperation, sustainable debt financing, and systemic issues); and Staying engaged.

SECTION ONE: TOWARDS A FULLY INCLUSIVE AND EQUITABLE GLOBALIZATION: The draft text addresses the goals and objectives of the FfD process: to achieve a fully inclusive and equitable globalization while ensuring that the global systems of finance and trade fully support economic growth and social justice for all. This section states that, through strengthening multilateralism, governments can join forces to reverse the increasing polarization



between the haves and the have-nots. The first step is to mobilize financial resources in support of development goals, and to commit to a list of principles of global economic and social governance, including equity, solidarity, co-responsibility, foresight, participation, ownership and partnership. It also states that the UN should exercise leadership and foster cooperation to ensure that globalization benefits everyone.

Recommendations: Delegates discussed section one on Tuesday, Wednesday and Friday. The G-77/China proposed adding language on social justice and poverty eradication along with general references to development and governance. He also proposed replacing the term “globalization” with “global economic system,” and adding transparency and predictability to the list of global governance principles.

China supported reforms in trade and monetary regimes and proposed references to common but differentiated responsibilities, transparency and accountability. Brazil and India requested clarification of the concept of GPGs. South Africa emphasized multilateralism and international partnerships. Peru said development cannot be divorced from globalization. Others underscored equity in development, poverty eradication, co-responsibility and inclusivity.

The EU opposed the title of the section, stating that it does not reflect the objectives of the process. He asked for clearer focus on the Millennium Declaration, good governance, poverty eradication, and the role of conflict resolution in development. Noting that market forces alone will not lead to equitable and sustainable development, he supported strengthening multilateralism and regional integration initiatives. He stated that the final outcome should be a strong and brief political declaration stressing the need for new partnerships in meeting Millennium goals.

The US said that globalization is a fragile process that depends on continuous will; one cannot enjoy its benefits without paying costs. He rejected numerous references, including, *inter alia*, notions of inequitable globalization, increasing polarization, asymmetries in the international economic system, and global economic and social governance. He contended opportunities for country participation in global economic decision-making are adequate.

SECTION TWO: CONFRONTING THE CHALLENGES OF FINANCING FOR DEVELOPMENT: LEADING ACTIONS:

The chapeau of this section recognizes that each country has primary responsibility for its own economic and social development, but underscores that domestic policies must be supported by an enabling international environment. It notes that an increasingly globalized economy requires a coherent, holistic approach to the national, international and systemic challenges of financing for development.

Recommendations: On Tuesday, Norway, supported by the Republic of Korea and Brazil, proposed that this language be incorporated into section one.

CHAPTER ONE: MOBILIZING DOMESTIC FINANCIAL RESOURCES FOR DEVELOPMENT:

This chapter recognizes that domestic resources provide the foundation for self-sustaining development and outlines steps to ensure internal conditions for an enabling domestic environment. These include: strengthening good governance and rule of law; pursuing sound macroeconomic policies; promoting fiscal discipline and efficient tax systems; ensuring sustainable investments in education, health, nutrition and social security programmes; and strengthening the financial sector through financial standards, capital markets and instruments to promote savings and investment and provide credit. To support such efforts, the chapter calls for promoting policy dialogue and coordination at regional and subregional levels, strengthening technical assistance for capacity

building and addressing the special needs of vulnerable and marginalized countries and social groups. It pledges to negotiate, under the aegis of the UN, a comprehensive convention on corruption, including cooperation to eliminate money-laundering and illegal transactions.

Recommendations: On Tuesday and Wednesday, delegates offered comments. Discussions highlighted issues of sound national policies, responsibility and partnerships in resource provision, conditionalities, prevention of capital flight, good governance and corruption. The G-77/China stressed linkages between the effectiveness of domestic policies for mobilizing resources and the external environment, and enhancing 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.

Other developing countries highlighted macroeconomic issues. Nepal said that managing expenditures and enhancing revenues are prerequisites for a sound macroeconomic framework and financial sector management. Thailand emphasized socially responsible macroeconomic policies and technical assistance, noted that regional cooperation can strengthen surveillance efforts and supported financial crisis recovery measures. On conditionalities, Jamaica, on behalf of the Caribbean Community (CARICOM), asserted that despite a favorable domestic environment, countries that have agreed to conditionalities have not benefited from external financing. She said that mobilization of resources cannot be primarily internal because economies are inter-related. South Africa stressed adjusting goals and standards to national conditions.

Brazil and Peru called for combating corruption, while China proposed establishment of a new economic order. The Philippines urged integrating gender into all financial sector aspects. Guatemala said the UN should not encroach on the mandates of the Bretton Woods Institutions (BWIs). Benin called upon the FfD to form a “mechanism” for mobilizing resources for LDCs.

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 LDCs, he stated that poverty reduction is the overall objective, and expressed dismay that investment in social sectors such as education and health is only briefly mentioned.

The US stressed that the goal of FfD is not to strengthen multilateralism but to stimulate national actions in meeting country responsibilities. Noting that the market should determine investment flows, he objected to references to a government role in income distribution and providing credit for all. Other developed countries proposed references to vulnerable groups, conflict resolution, microfinance, tax structure simplification and human rights. The Republic of Korea opposed reference to migrant workers.

The Russian Federation stressed the responsibilities of national governments for providing favorable conditions for FDI as well as social support for the needy. He suggested adding references to liberalizing national financial markets and donor assistance for mobilizing domestic resources. The Czech Republic called for clarification on country responsibilities for resource mobilization, and proposed elabo-



ration of: specific nationally driven poverty reduction goals and development strategies; linkages among economic, social, fiscal and trade policies; and coordination and partnerships at the national level. The IMF expressed disappointment that a better balance could not be found with regard to national and international actions. The Rural Reconstruction Movement, on behalf of the NGO Working Group on Mobilizing Domestic Resources, called on delegates to emphasize social issues including health, education, and gender.

CHAPTER TWO: INTERNATIONAL PRIVATE

RESOURCES: This chapter recognizes that FDI and other private flows are a vital complement to developing countries. It calls for deepened support from multilateral financial institutions, international cooperation in promotion and implementation of FDI, infrastructure investments, and investments that are socially and environmentally responsible. To ensure appropriate regulatory frameworks within international financial systems, the text proposes measures to increase transparency, address capital account liberalization processes, ensure that the New Basel Capital Accord does not increase pro-cyclicality of bank lending and improve sovereign risk assessment.

Recommendations: On Wednesday, discussion of the section focused on the nature of FDI, including requirements to attract it and ways to enhance it. Delegates also highlighted ODA, public-private partnerships, capital flows and corporate responsibility.

The G-77/China said FDI should be directed toward having a greater impact on development, proposed adding reference to the volume of FDI and suggested dropping reference to investment agreements to promote FDI. On measures to encourage FDI, he suggested clarifying domestic constraints and adding measures for addressing capital flight. On support for private investments, he proposed references to development banks and other financial institutions facilitating private sector interactions in FDI origin and target countries. He suggested deleting references to socially and environmentally responsible investment and to good corporate citizenship, and underscored that ODA can play a vital role in expanding private sector investment.

Several developing countries noted that mobilization of resources requires consistent macroeconomic policies, and called for improving policies and regulations in order to attract and sustain FDI. Chile remarked on differences in national circumstances, discussed the shortage and volatility of FDI, and identified mutual interest as a key to investment. Brazil proposed maximizing the mutual benefits of investments and taking advantage of investment opportunities with the help of international institutions. India said multilateral institutions should respect sovereignty.

Other developing countries underscored some of their difficulties with FDI. Guatemala noted that FDI is just one type of capital flow and is not always desirable. He suggested references to the quality of investment and stimulating capital flows in both directions. The Bahamas, on behalf of CARICOM, said that FDI is concentrated in a small number of countries and creating enabling environments is necessary but not sufficient for ensuring FDI. She called for creating more investment agreements and arrangements for smaller economies.

China stated that of the US\$127 billion dollars of FDI globally, US\$100 billion flows into developed countries. He challenged the PrepCom to move FDI to developing countries. Malaysia maintained that strengthening the host country's capacity to manage flows of FDI would, *inter alia*, reduce leakage from the host country. Pakistan noted that private capital flows can build up inflationary pressures and that short-term capital flows are destabilizing and require technical safety nets. He called for mechanisms to ensure partnerships that benefit both donors and recipients.

Some developing countries commented on ways to attract or direct FDI. Algeria listed tax incentives, land grants, communications, and human resources as incentives. Paraguay said that FDI is more than external resources and includes technology, marketing and organizational capacity. On behalf of the SIDS and the Pacific Island Forum, Fiji stated that developing countries should redouble their efforts in infrastructure development of information and technology projects. Indonesia proposed reference to good public and corporate governance and requested appropriate avenues to discuss "corporate citizenship."

In the chapter as a whole, the EU suggested separating principles from concrete initiatives, proposed that the text have a pro-poor orientation and said a true partnership encompassing all aspects of development and financing had to be more than just a bargain of certain policies in exchange for ODA. While noting that ODA is an essential financial source for the poorest countries, he maintained that attracting direct private investments is the primary responsibility of developing countries. He supported references to further analysis on FDI triggers and obstacles, private-public partnerships, international accounting standards, the OECD guidelines for multinationals and the UN Global Compact. He also proposed including measures to discourage harmful competition for FDI and underscored that a stable domestic environment is key to a stable international system.

Several developed country delegates stressed private capital flows as key to development, supported public-private partnerships, and called for ODA to play a role that complements private sources of funds. Norway underscored special investment funds and improved market access, while New Zealand stressed that an environment conducive to FDI emphasizes the rule of law, intolerance for corruption and good governance. Japan called for de-emphasizing the BWIs and highlighted providing a favorable environment for investment by sending clear messages to the private sector. The Republic of Korea acknowledged linkages between private resources and development, and stressed corporate responsibility.

Among the EIT countries, the Russian Federation proposed that multilateral institutions use international standards, accounting and reporting that is clear to investors. Belarus stressed the role of stakeholders, including recipients of private investment, and enhancing the concepts of private sector and government cooperation. Ukraine addressed FDI in facilitating transitions to a market economy and called for reference to the specific needs of countries in transition.

The World Bank proposed discussion to clarify the role of private capital flows, stressed sound policies, recognized a credibility gap, encouraged "bridge-building" and advocated investments "at home" that contribute to growth in a socially meaningful way. The IMF emphasized that peace and security are essential for investment. He supported evaluation of capital account liberalization and tailoring policies to the needs of individual countries in market liberalization. He said liberalization could raise investment levels but entails big risks if policies are inconsistent.

The ILO highlighted sound industrial relations that respect human rights, raise productivity and reduce poverty, and supported references to social security, pension schemes and workers' rights. The UN Industrial Development Organization (UNIDO) stressed the important role of small and medium enterprises and mobilizing partnerships. UNCTAD proposed the UN create an ongoing forum to discuss FDI flows to developing countries, examine best practices and minimize negative impacts. The International Chamber of Commerce supported maintaining fiscal discipline, combating corruption and guaranteeing property rights.



CHAPTER THREE: INTERNATIONAL TRADE AS AN ENGINE FOR GROWTH AND DEVELOPMENT: This chapter recognizes that trade liberalization can potentially benefit both developing and developed countries through promoting growth and development and eradicating poverty. It identifies trade barriers and subsidies as obstacles to free trade, addresses labor and environmental concerns and outlines actions to facilitate greater access to world markets. It supports multilateral trade negotiations in efforts to: strengthen the WTO, liberalize trade in agricultural products, reduce tariffs affecting developing country exports, eliminate barriers to manufactures such as textiles and revisit issues of trade-related intellectual property rights. It also calls for: regional and subregional cooperation; industrialized countries to take steps in benefit of LDCs; multilateral financial and development institutions to help stabilize export revenues of developing countries heavily dependent on commodity exports; and multilateral and bilateral financial and development institutions to deepen support of efforts by developing countries to, *inter alia*, improve trade infrastructure and enhance participation in trade negotiations.

Recommendations: On Thursday, delegates offered their perspectives on the pros and cons of trade liberalization, particularly its implications for and effects on LDCs. Many developing countries stressed the importance of trade for development and called for elimination of trade barriers in developed countries. The G-77/China endorsed trade as an engine for growth and development, supported eliminating trade barriers such as subsidies and agreed that environmental and labor issues should be addressed separately to avoid inhibiting trade. He proposed language on: special and preferential treatment of developing countries to integrate them in world markets; providing them with “full-scale, stable and predictable” market access; and policy frameworks for managing trade-related development strategies to assist LDCs. He also suggested a new paragraph on the necessity of supporting developing countries to incorporate trade policies and proposed deleting reference to free trade areas as building blocks in regional integration.

Argentina noted increased state subsidies in developed countries and supported new trade negotiations. Jordan, too, emphasized eliminating subsidies and other trade barriers. Chile stated that trade is an opportunity to eradicate poverty and called on countries to open their markets. Venezuela advocated a new trade system that supports developing countries, pending outcomes of WTO discussions. Paraguay considered trade the most important tool of the FfD process, and called liberalization “illusory” unless developing countries receive assistance in sustaining domestic markets. Mexico supported reducing operational costs while improving risk-return ratios and recognizing links between trade and FDI, and proposed stronger actions to promote trade opportunities.

South Africa supported intra-regional trade, and technical assistance and technology to create market access. Pakistan proposed a new trade round that would emphasize the needs of developing countries. Bangladesh suggested maximizing trade benefits to LDCs, and supported reference to measures for enhancing agricultural production. China said trade is an “engine of economic development” and supported liberalizing trade in agricultural products and textiles. Together with India, he supported breaking links between labor and environmental concerns. Mongolia linked development with trade and underscored access issues. Malaysia said that trade-related intellectual property rights require reworking of development finance policies.

The Dominican Republic proposed language on bilateral agreements, regional free trade zones and internal reform efforts designed to

stimulate export-focused economies. Uruguay said the increased number of LDCs is related to ODA shortfalls, and emphasized there cannot be development without equitable and transparent trade. Bolivia supported references to the link between debt and trade, and to the competitive disadvantages of landlocked developing countries. Brazil questioned the exclusive focus on markets where developed countries have competitive advantages, and called for investment in other markets. Indonesia called for enhancing domestic capabilities to participate in trade. Algeria prioritized consideration of preferential treatments and poverty reduction strategies for more effective market access. Vietnam agreed that trade should assist developing countries, and supported democracy and participation. Colombia emphasized the amount of funding his country spent confronting internal conflict, and called for adding reference to peace. Peru advocated technical support, consistency in trade, and development linked with financial stability and investment. Ecuador highlighted unfair practices, including subsidies and anti-dumping measures.

St. Lucia cautioned against unbridled liberalization, citing her country’s experience, which resulted in the closing of local industries and trade deficits, and called for special treatment for developing countries to enable them to compete in the world market. On behalf of SIDS and the Pacific Island Forum, Fiji said trade is the most important mechanism for expanding domestic savings, but noted the impracticality of one-size-fits-all solutions.

The European Commission, on behalf of the EU, said benefits from trade depend on domestic policies; supported liberalization without specifying sectors; and objected to full elimination of agricultural subsidies. He stressed, *inter alia*, domestic poverty reduction; regional integration; and international assistance in trade facilitation, infrastructure and production capacity. Norway contended fear over terrorism has affected multilateral trade, highlighted the negative effect of global recession, and classified security as a GPG.

The US said political commitment for free trade in all countries should include greater focus on developing countries, supported trade liberalization at all levels, and cautioned against elaborating on WTO and IMF issues. Noting OECD agricultural subsidies of US\$300 billion per year, Australia and New Zealand supported trade liberalization through a new WTO round and agreed that labor and environmental concerns should be pursued as separate goals. The Republic of Korea emphasized open and non-discriminatory policies and opposed uniform actions on trade liberalization of agricultural products. Japan drew attention to supply-side trade restrictions and cautioned against duplication of WTO work. The Russian Federation and Belarus emphasized alignment with the WTO. Ukraine and Belarus highlighted regional cooperation and the needs of countries with economies in transition.

The WTO stressed links between FfD and the upcoming WTO ministerial conference in Doha, Qatar. The IMF supported policy surveillance programmes and improved market access for LDC exports. He called for a new trade round, which could link the FfD process to the WTO. UNIDO underscored institutional capacity building for developing countries to help them market products and adhere to international standards. UNCTAD acknowledged the loss of commodity markets for developing countries’ products.

CHAPTER FOUR: INCREASING INTERNATIONAL FINANCIAL COOPERATION FOR DEVELOPMENT: This chapter includes subsections on revitalizing ODA, enhancing financing for GPGs, strengthening multilateral development banking and innovative sources of multilateral development financing. Under ODA, it refers to the international target of 0.7 percent of gross



national product (GNP) for ODA, the Millennium Summit goals, UNDP development strategies and the New African Initiative. Under financing of GPGs, it calls for prioritizing and differentiating GPGs financing from development financing. The final two subsections call for increasing long-term resources and examining innovative possibilities such as a currency transaction tax.

Recommendations: On Thursday, comments on these issues revealed broad disagreement on ODA targets and innovative sources of development finance. Many agreed, however, on the need to further define GPGs. Developing countries widely emphasized ODA commitments. The G-77/China proposed language on directing 0.15-0.20 percent of GNP in ODA to LDCs, and called for binding commitments and a timetable for further doubling ODA, eliminating conditionalities and providing general assistance to countries active in poverty eradication. He opposed references to UNDP's coordination role, specific examples of GPGs and carbon taxes. China called for making the 0.7 percent of GNP for ODA target a strict international standard. He suggested limiting the definition of GPGs to areas of greatest concern in developing countries. Cuba agreed that donors must fulfill ODA targets. Azerbaijan, with Belarus, proposed expanding ODA to both developing countries and EIT countries and specifying a list of these countries. Bangladesh, on behalf of LDCs, supported consultation with LDCs to strengthen ODA's impact.

Venezuela said the FfD process must produce additional resources. South Africa supported addressing sustainability rather than "sources of resources." Malaysia suggested a resource pool for strengthening infrastructure in developing countries, and formulating a working definition of GPGs. Uganda supported common-pool mechanisms only for countries with sound macroeconomic policies and called for international help to Sub-Saharan countries in strengthening the private sector.

The EU supported ODA targets and halving poverty by 2015; emphasized partnerships, participation and domestic responsibilities; and proposed references to the New African Initiative. He supported language on LDCs with good policies, OECD dialogue, nationally owned development strategies, ODA priority to LDCs with sound policies and countries emerging from conflict, and untied ODA. He also stressed capacity building and advocated conceptual discussions on GPGs.

The US rejected ODA goals as conceptually flawed, and stressed shifting focus to corporate sources of finance and improving the effective use of ODA by recipients. He said the main problem is not availability of funds but lack of appropriate places to invest them. He opposed listing ODA proposals and references to UNDP and common-pool resources, and expressed reservations on the concept of GPGs.

Japan recommended against referencing ODA targets due to donors' tense financial situations. He emphasized private resources, which surpass ODA, and rejected reference to common-pool resources. Switzerland called ODA targets "a myth" and suggested directing funds toward GPGs. He supported common pools, noting that they minimize transaction costs and give control to developing countries. Canada noted all actors have interest in effective use of ODA, supported ownership and participation and said that a global information campaign should not focus solely on developed countries. Norway supported linking criteria for ODA distribution to poverty reduction. Korea called for gradual achievement of ODA goals and further elaboration of GPGs.

The World Bank called for more ODA to meet Millennium Declaration goals; said ODA can only build on a solid domestic foundation;

and noted links between debt and ODA. UNDP emphasized country-led coordination of ODA and long-term development goals.

CHAPTER FIVE: SUSTAINABLE DEBT FINANCING: This chapter stresses avoidance of an unsustainable accumulation of public and private debt and excessive debt burdens, especially for heavily indebted poor countries (HIPC). It calls on the World Bank and IMF to enhance and assist in implementing the HIPC Initiative through policy actions, capacity assessments and commitment to provide resources.

Recommendations: On Thursday, delegates offered statements on this chapter. Many recognized the success of the HIPC Initiative, and highlighted issues of sustainability, allocation and debt relief criteria. The G-77/China supported debt cancellation and flexibility in eligibility criteria for the HIPC Initiative and proposed language on US-style bankruptcy codes, enhancing access to markets, avoiding cross-subsidization of relief and involving private creditors. Recognizing the need for prudent debt management, Mexico cautioned against denying financial aid to countries that do not meet debt relief conditions. Guyana called for flexibility in debt relief criteria, and proposed discouraging the IMF, World Bank and regional banks from operating portfolios where repayments exceed disbursements. Morocco proposed language noting that HIPC countries need surpluses to allocate to economic and social programmes. Ukraine proposed emphasizing low- and middle-income countries. Bangladesh, on behalf of LDCs, supported monitoring debt management. South Africa questioned whether it is sustainable to support debt servicing instead of health and social programmes.

The EU specified references to managing economic and social development, distinguished between low and middle-income countries, welcomed bilateral initiatives on HIPC assistance, highlighted adequate funding in the context of fair burden sharing, called for clarification on differentiated responsibilities and proposed case-by-case consideration of countries. The US said HIPC efforts on economic reform and poverty reduction should be the main determinants of debt relief. Japan called for more effective approaches to debt. Norway supported limiting debt relief to HIPCs.

The IMF praised reconsideration of amounts needed to reach sustainable targets and examination of financing needs, given new domestic environments. He underscored that sustainable debt financing can mobilize resources.

CHAPTER SIX: ADDRESSING SYSTEMIC ISSUES: This chapter recognizes the need to enhance the coherence and consistency of the international monetary, trading and financial systems in support of development, and contains three sub-sections on reforming international financial architecture, improving global governance, and strengthening the role of the UN. Addressing reform of multilateral financial institutions, it:

- calls for strengthened coordination of macroeconomic policies among the leading industrialized countries;
- prioritizes crisis prevention and management;
- stresses respect for nationally-owned paths of reform and the special needs of developing countries;
- underlines the need for adequate resources; and
- supports equitable distribution of the costs of crisis-resolution adjustments.

On global governance, it calls on the UN to provide leadership towards broad-based decision-making on issues of global concern and filling organizational gaps. It outlines actions to be taken toward increased participatory within relevant policymaking institutions and forums such as the IMF, World Bank, WTO, the Basel



Committee and *ad hoc* groups such as the G-20, G-8 and G-15. It addresses: filling organizational gaps through coordination and strengthening of institutional relationships among multilateral financial and development institutions; exploring the possibility of an international tax organization; and promoting the role of UN regional commissions and the regional development banks.

On strengthening the role of the UN, it proposes creating, under the auspices of the UN, a world economic body to promote economic and social development, secure consistency in the policy goals of the major international organizations, and to provide political leadership to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development. It requests the Secretary-General to encourage public discussions on the issue and establish a group of eminent persons to propose options and recommendations no later than the end of the 58th session of the General Assembly. It also commits the UN to greater policy coherence and calls for better cooperation among the UN, the BWIs and the WTO.

Recommendations: During Friday's discussions on the text, delegates focused their comments on issues such as participation in international economic decision-making, the scope of institutional mandates, and the need to strike a balance between forming partnerships among existing institutions and creating new organizations.

The G-77/China stated that references to reforming the international financial architecture lacked enough substance to fully ensure adequate support for development and protection of the most vulnerable countries and social groups. He called for the text to encourage the IMF and the World Bank to take steps beyond "ways and means." China proposed a new round of special drawing rights (SDRs) distribution and said the international community should create conditions for stability in currency exchange rates. Noting the intergovernmental character of the UN, he objected to involvement by the private sector in the FfD process.

Egypt identified the chapter on systemic issues as the most crucial chapter in the text, and stressed that interdependence poses imperatives for evolution in dealing with economic matters. Describing the UN as a market capitalist institution based on free competition of ideas, he said investing in the FfD process entails risks as well as profits. Malaysia supported reforming the international financial architecture and urged language on including transparency and disclosure requirements and enhancing developing country participation in IMF decision-making. China agreed, recommending that the IMF should have symmetric surveillance of the member States. Barbados said international financial institutions must respond to the negative economic impacts of natural disasters and the 11 September terrorist acts and stressed the vulnerabilities of SIDS and landlocked countries.

The EU noted it is not in favor of reforming the international financial architecture and stressed coherence, transparency, and collaboration within the existing international financial system. Noting that discussions should not be limited to institutional matters, he stressed collaboration between developed and developing countries.

Japan, with Australia, New Zealand, the US and others, stated that the IMF has made progress towards transparency and accountability, and maintained that developing countries are already participating adequately. Japan also mentioned that the IMF has made progress in dealing with financial crises.

One of the major points of contention in the text was the proposal to explore the potential benefits and optimal design of an international tax organization or other tax cooperation forum. The EU, Japan, the US, Canada and other countries rejected this proposal. Brazil and Mexico joined them stating that there are already international organi-

zations that deal with taxation issues. Mexico said most tax issues should be resolved on a bilateral basis, and an international tax organization would cost a lot of money. The Russian Federation and Barbados supported pursuing the need for an international framework for tax policy and an inclusive approach to tax issues. Bangladesh favored a uniform tax code, but described the idea of an international body as premature.

SECTION THREE: STAYING ENGAGED: The third section of the Draft Outcome commits governments to implement the Conference's agreements. It proposes a 2005 open-ended intergovernmental Forum at the level of the highest economic authorities that would assess implementation and continue to build bridges between development, finance and trade deliberations and initiatives. Held under the auspices of the UNGA, the Forum would meet as necessary until its work is transferred to the world economic body proposed in section two. The text proposes that the Forum establish a mechanism for substantive engagement between ECOSOC, the BWIs and the WTO.

Recommendations: The G-77/China expressed a willingness to consider proposals related to this text and supported enhancing the role of ECOSOC. Bangladesh cautioned the UN not to micromanage institutions and said it is too early for a new international body. Qatar stated that the world needs a new financial organ to work for developing countries and EITs. The EU strongly opposed a UN leadership role in monetary and financial issues. Canada, the US, Japan, New Zealand, Switzerland and Australia agreed and called for strengthening existing institutions instead of creating a new economic body.

Norway preferred that the Draft Outcome not propose new institutions before careful consideration is given to the current institutions. He discouraged establishing a timetable for the Forum. The Russian Federation considered the idea of a Forum premature and contended medium and long-term reviews would be more acceptable.

CLOSING PLENARY

On Friday afternoon, Co-Chair Ahmad called to order the final session of the resumed Third PrepCom. Delegates adopted the Fourth report of the Bureau on preparations (A/AC.257/29); its addendum on draft provisional rules of procedure (A/AC.257/29/Add.1 and Corr. 1); and the Draft provisional agenda for the fourth session of the Preparatory Committee (A/AC.257/L.9).

The meeting was then adjourned for interested delegations to conduct closed-door informal consultations on organizational issues related to the subsequent responsibilities of the Facilitator and the next meeting of the PrepCom. At 6:15 pm, delegates reconvened. Co-Chair Ahmad announced that delegates had agreed on an additional sentence to be added to the Draft report of the Preparatory Committee for the International Conference on Financing for Development on its resumed third session (A/AC.257/L.8). The sentence calls upon the Facilitator, in accordance with resolution A/55/245B, to present the revised Draft Outcome by the end of November 2001, for consideration by the Fourth PrepCom in January 2002.

Facilitator Escanero told delegates that he was grateful for their trust, and said he would continue consulting with the member States with support from the Conference Secretariat as well as from the three stakeholder Secretariats (World Bank, IMF and WTO). He promised in his next presentation to reflect to the best of his ability what participants said during the resumed Third PrepCom. Delegates then adopted the report. Co-Chair Ahmad remarked that the PrepCom had been a rich and interactive debate that had provided further impetus for the FfD process. After extending thanks to all participants, he adjourned the meeting at 7:00 pm.



A BRIEF ANALYSIS OF THE PREPCOM

COOKING FOR 180+ GUESTS

The FfD process has grown out of years of debate over how to pay for the sweeping international and national commitments made at the mammoth social development conferences the UN held during the 1990s. A combination of “commitment fatigue” and the political sensitivities surrounding financing have encouraged FfD to take some new and innovative approaches to discussing this issue. From the beginning, the process has involved unprecedented steps for the UN in terms of reaching out to powerful members of the international financial system – mainly the World Bank, the IMF and the WTO. FfD has also encouraged participation on the national level, which has fostered new forms of intra-governmental collaboration between foreign, finance and social development ministries. Seeking to extend its base of support, FfD has underscored the contributions that partners in the private sector and civil society make in the development process.

At its heart, however, FfD struggles with several underlying sources of tension. Some politically powerful countries are not really interested in multilateralism because they can arrange benefits bilaterally. The process also suffers from a lack of agreement about which models of development to pursue, even before discussions begin about financing them. Inside the capitalist camp alone, US purism contrasts with the EU’s statement that “market mechanisms alone will not lead to equitable and sustainable development.” With opinions only becoming more divergent across the rest of the world, one observer noted that FfD feels a bit like going to the grocery store with money you have to spend, while not being entirely sure which items are worth buying.

The conference has been deliberately structured to allow for discussions to be open and exploratory and hopefully evolve in the direction of consensus. But at some point, delegates and conference organizers will confront the need to produce concrete evidence of their deliberations. This will prove to be a delicate and difficult task. The resumed Third PrepCom was a critical juncture, with delegates considering the parameters of what will be possible to include in a negotiated outcome document. They have already found that preferences vary widely: in the words of Co-Chair Ahmad, “one country wants teriyaki, another prefers kabab. Over the coming months, we must come up with something that everyone is willing to eat.” This analysis outlines the diverging positions of the major actors and analyzes the principal debates, opportunities and obstacles to fulfilling FfD’s ambitious agenda.

THE PLAYERS GATHER AT THE TABLE

Tensions rose at the beginning of the PrepCom when the US issued a distinctly non-cooperative opening statement, rejecting consensus building, downplaying multilateralism and calling on countries to make a “commitment to capitalism.” Delegates and NGOs alike had expected the US to be more flexible in view of current world affairs, and some speculated that the US official position is out of sync with Washington’s current foreign policy. One observer chortled that he hadn’t heard language like this on capitalism since Brezhnev was alive, while other pundits speculated that the mid-level bureaucrats had lined up for what they saw as simply another fight in the UN base-

ment. In response, the G-77/China steadfastly proceeded with a paragraph-by-paragraph discussion of the Draft Outcome, which the US had rejected as a basis for negotiations. By Wednesday, this tactic apparently succeeded in bringing the US to offer a few pointed remarks about the text. The EU agreed on text deliberations from the

beginning, and tried to cross camps by supporting pro-poor policies and assistance to LDCs, while insisting that international stability starts with domestic accountability, which led commentators to complain about the group’s underhandedly conservative focus.

Like the US, Japan balked initially at discussions of the Draft Outcome, noting that despite its support for the concept of multilateralism, it cannot justify either new institutions or new resources to tax payers in its cash-strapped economy. Australia and New Zealand echoed the hard liberal line of the US, but went even further by lashing out at OECD countries for their agricultural subsidies of US\$300 billion annually.

The G-77/China spoke as a group but, as is typical of negotiations on economic issues, also gave members the latitude for slightly divergent points of view on issues such as the role of foreign investment and free trade. It became apparent that some interests within the group had taken this flexibility a step further. Sub-blocs of countries, such as the SIDS and the LDCs, actively lobbied for their own special concerns – in particular by seeking to capitalize on the increasing insistence by donors that dwindling ODA resources be channeled primarily to countries that prove they are enacting sound policies or who are among those categorized as least developed.

Middle-income Latin American nations stressed commitments to liberalization and national responsibility. While the EIT countries supported some of these goals as well and also endorsed the notion of social support for those in need, many privately criticized developing countries for extending too large a begging bowl.

Although FfD has been remarkably open for a UN debate in terms of encouraging the participation of partners and stakeholders, some voices were more apparent than others. Among the three key institutional stakeholders, the World Bank and IMF most frequently intervened, with the WTO preferring to remain in the background. There was little input from the private sector, and NGOs essentially squandered an opportunity to offer their thoughts to the assembled governments. While some NGO representatives with experience on finance issues worked closely with delegates behind the scenes, those who spoke to the Plenary offered mainly shrill and unfocused interventions that did little to influence the political dynamics at work on the floor.

OPTIONS ON THE MENU

Since the FfD process is still in its broadly conceptual phase, most of the discussions centered on the large issues and the political context that frame the debate, particularly the balance between the domestic and external factors affecting development, and between national and international accountability and responsibility. Industrialized countries stressed the importance of effective utilization of resources and creating conducive climates for investment through good governance, fiscal discipline and sound macroeconomic policies. Most developing countries, on the other hand, highlighted international obligations and demanded additional resources, debt relief and trade concessions.

Many countries, across political orientations, agreed on the primacy of national responsibility for development as a starting point, but important differences flourished over the issues that followed. Strong disagreements emerged on globalization, with the US initially rejecting the incorporation of this concept in the talks. Developing countries countered that, without talking about the links that draw the modern world together, the FfD process would be useless. China noted that out of US\$127 billion in FDI, US\$100 billion goes to developed countries. Industrial nations contended that market forces determine private investment. Developing countries turned the tables by calling for elimination of the trade barriers and export subsidies that undermine competitiveness, and suggested perhaps the international



community should adopt bankruptcy codes for international debt relief similar to those available in the US.

Some delegates tried to weaken the debate by deflecting proposals that they claimed belonged within the mandates of the IMF and WTO, and should not be tinkered with by the UN. Other participants sought to sidestep the larger political debates by narrowing the conceptual discussion to financing. A large number of delegates had come to the meeting from finance ministries in capitals and, along with representatives from the World Bank and the IMF, offered a higher level of expertise and a lower level of interest in political machinations than marks the typical UN social development negotiation process. They contributed interventions on subjects such as special drawing rights, tax issues, contingent credit lines and bond-holders' collective action.

Delegates also began exploring issues, some of which were raised in the Zedillo report, that are certain to generate long and heated debates in the future. Many countries requested clarification of the notion of global public goods (GPGs), with proposals already on the floor that GPGs should include security, international financial stability and tourism. Another important issue involves the proposal for a common-pool mechanism that would bring together resources from multiple States and institutions to fund national development strategies. The idea of an international tax organization has received some support, but is not likely to fly very far, judging by the united opposition to it from all industrialized countries.

STAYING UNTIL THE END OF THE MEAL

It is too soon to make predictions on the outcome of the FfD process. Governments expressed a high level of interest in the PrepCom, with an unusually large number of ambassadors and specialists from ministries in capitals packing into the conference room each day. While some delegates believed they made little progress during the week, others detected "power in the air" and touted as a prime achievement the fact that "all are still on board." The focus now is as much on maintaining the process and its high level of engagement and exchange as it is on producing a consensus outcome document.

Many delegates stuck to fairly broad statements in their interventions, suggesting a wait-and-see approach to the process, while some admitted that they are still in the process of finalizing their positions. A general consensus on the need to link dialogues on finance and development has not yet translated into specific ideas of what to expect from the outcome of FfD – either in terms of substance or long-term process. Delegates who say they want only a brief political declaration informally admit a readiness to negotiate "a list of specific action-oriented proposals," even though they and other key players have difficulty naming ideas for this list.

Other delegates contend that the process is weighed down by systemic issues related to the international financial system on which governments "will never agree." Although the debate on the systemic issues section of the Draft Outcome took place in a cordial atmosphere – to the great relief of some who had feared it might sink into open confrontation – the FfD will find it difficult to marshal enough political support to significantly impact this debate.

Some delegates from donor countries said an important FfD outcome has already occurred – their finance and social development officials in particular have developed new understandings and improved collaboration as a result of their preparations for Monterrey. Others predicted the best outcome would be the presence of finance ministers at the Conference, who could offer high-level political support to the continuation of this process.

Will the wait for the last course prove worthwhile? The FfD process carries the potential to strengthen the coherence of interna-

tional financial policies, encourage a new collaboration between various organizations, and allow the UN a new and, for some, a long-sought role in the economic arena. But this may not be a meal that goes down easily for everyone. While the participating international financial institutions, and their government supporters, have already indicated their interest in hearing the FfD's political messages, there is no guarantee that such messages will trigger any changes or policy responses. Some observers fear that the FfD will mainly offer the political blessing of the UN to the Bretton Woods Institutions, who can then use it to counter complaints about their activities. UN member States who would prefer a different outcome must prepare carefully in the coming months, realizing that the success or failure of FfD may reveal much about the future of the UN, as well as the evolving structure of multilateral cooperation and assistance in general.

THINGS TO LOOK FOR BEFORE PREPCOM IV

EAST ASIA ECONOMIC SUMMIT OF THE WORLD ECONOMIC FORUM: The Summit will take place from 29-31 October 2001, in Hong Kong. For information, contact: the World Economic Forum; tel: +41-22-869-1212; fax: +41-22-786-2744; e-mail: eastiasummit@weforum.org; Internet: <http://www.weforum.org>

GLOBAL EMPLOYMENT FORUM OF THE INTERNATIONAL LABOR ORGANIZATION: The Forum will convene from 1-3 November 2001, at ILO Headquarters in Geneva, Switzerland. For information, contact: Employment Sector; tel: +41-22-799-6853; fax: +41-22-799-7562; e-mail: geforum@ilo.org; Internet: <http://www.ilo.org/public/english/employment/geforum/index.htm>

FOURTH MINISTERIAL CONFERENCE OF THE WORLD TRADE ORGANIZATION: This Conference will be held from 9-13 November 2001, in Doha, Qatar (location to be confirmed). For information, contact: the Organizing Committee, P.O. Box 22240, Doha, State of Qatar; fax: +974-4-830-923; Internet: <http://www.wto.org>

INTERNATIONAL CHAMBER OF COMMERCE REGIONAL MEETING FOR SOUTH ASIA: This meeting will take place in Karachi, Pakistan, from 11-12 November 2001. For information, contact: Stefan Draszczyk, Director & Coordinator; tel: +33-1-49-53-2870; fax: +33-1-49-53-2942; e-mail: conf@iccwbo.org; Internet: <http://www.iccwbo.org>

JOINT MEETING OF THE INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE OF THE IMF AND THE DEVELOPMENT COMMITTEE OF THE WORLD BANK: This meeting will take place from 17-18 November 2001, in Ottawa, Canada. For information, contact: IMF External Relations Department, tel: +1-202-623-7300; fax: +1-202-623-6278; Internet: <http://www.imf.org/external/np/sec/nb/2001/nb01103.htm>

FOURTH SESSION OF THE PREPARATORY COMMITTEE ON THE INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT: This meeting will convene from 14-25 January 2002, at UN headquarters in New York. For information, contact: Financing for Development Coordinating Secretariat, 2 UN Plaza (DC2-2386), New York, NY 10017; tel: +1-212-963-2587; fax: +1-212-963-0443; e-mail: ffd@un.org; Internet: www.un.org/ffd

INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT: The Conference will take place in Monterrey, Mexico, from 18-22 March, 2002. For information, contact: Financing for Development Coordinating Secretariat (see above).