



World Economy & Development *in brief*

European Briefings on Globalisation, North-South Relations and International Ecology

Financing for Development: From Monterrey to Doha Towards the 2nd World Conference on FfD

Currently Doha, the capital of the Arab Emirate Qatar, stands for the latest WTO round. This may soon change: In 2008, the United Nations will hold their 2nd Global Conference on Financing for Development (FfD) in Doha. This conference is intended to take stock of the implementation of the decisions of the first FfD conference in Monterrey in 2002 and to determine what new initiatives are necessary, esp. to attain the Millennium Development Goals. **Jens Martens** summarises the most recent trends, the possible issues on the agenda and the key events in the preparatory process.

The agenda for the 2nd Global Conference on Financing for Development is primarily defined by the issues and results of the first FfD conference. There the governments adopted the so-called Monterrey Consensus which contains decisions on the following issue areas: mobilisation of domestic resources, foreign direct investment, trade, debt, international financial and technical co-operation; systemic issues: coherence within the international monetary, financial and trade systems.

However, this “consensus” remained vague and placed the primary responsibility for mobilising additional resources and for structural changes on the developing countries. In Monterrey, the industrialised countries’ governments refused to commit to any binding obligation to increase their development assistance, to further debt cancellation, and to introduce innovative financial instruments. International taxes or levies were anathema. Consequently, civil society organisations criticised the resolutions as entirely insufficient and declared at the end of the conference: “We are not part of the

Monterrey Consensus.” According to John Foster of Social Watch the final document was nothing but the neo-liberal “Washington Consensus under a sombrero”.

* **New dynamics**

Since then there has been a noticeably shift in the discourse on development financing and the international architecture of development co-operation.

* *Rise in ODA*: In 2005, the EU governments agreed to a staged increase in official development assistance (ODA) to 0.7% of GNI by 2015. ODA from members of the OECD Development Assistance Committee reached the historic high of US\$106.8bn in 2005. This was only possible however by adding debt relief, in particular for Iraq and Nigeria (totalling US\$22.7bn). Thus there is an intensified debate surrounding not only the quantity of ODA but also its definition and this risk that the ODA criteria will be even further diluted.

* *Paris Declaration*: In the Paris Declaration

on Aid Effectiveness issued in March 2005 governments comprehensively treated the quality problems on the donor side. The declaration contains commitments to harmonise ODA and adapt it better to the recipient country's development strategy, reduce transaction costs and bureaucratic procedures, untying aid and grant ODA increasingly as direct budget support. In Accra (Ghana) a follow-up conference to the Paris Declaration in September 2008 is to adopt further steps to improve the quality of ODA.

* *New donors*: Along with the traditional donor countries new, emerging donors are entering the stage. On the one hand these include some of the countries of the South, foremost China, but also Saudi Arabia and Venezuela. The total amount of transfer is unknown but is at least several billion US dollars annually and is rapidly increasing. On the other hand, private donors are growing in importance. In the upcoming years, the Bill and Melinda Gates Foundation alone will spend about US\$3bn per year for development projects. This is more than the German bilateral ODA for technical cooperation..

* *Leading Group*: The initiative of the presidents of Brazil and France, Lula and Chirac, to introduce new international financial instruments found unexpected support in the past two years. 46 countries have already joined the initiative's "Leading Group on Solidarity Levies to Fund Development". Twenty of them have decided to introduce a solidarity levy on airline tickets; four have already done so. There has also been movement in the discussion on a Currency Transaction Tax (now called Currency Transaction Development Levy – CTDL).

* *Tax evasion and public finance*: International development policy increasingly deals with the issue of how to mobilise more public revenues in the South and contain capital flight. Combating tax evasion and tax havens

has also moved up on the Leading Group's agenda as a result of pressure by a growing alliance of civil society organisations, particularly the Tax Justice Network.

* *IMF reform*: One result of Monterrey was the general agreement to strengthen the voice of the developing countries in the decision-making bodies of international financial institutions. However the governments have not been able to agree on concrete reforms in subsequent years. Meanwhile they have at least decided to reform the voting shares and basic voting right in favour of some countries of the South at the 2008 annual meetings of IMF and World Bank. However, this is in no way tied to a comprehensive reform of the governance structures and mandates of IMF and World Bank.

These issues and trends will dominate the debates prior to the Doha conference. Yet the conference agenda has not been decided upon. The governments avoided any commitments in the UN resolution on the FfD follow-up conference (UN Doc. A/RES/61/191 of 20 December 2007). They only defined the purpose of the conference in general terms: "(...) *the review conference should assess progress made, reaffirm goals and commitments, share best practices and lessons learned, and identify obstacles and constraints encountered, actions and initiatives to overcome them, and important measures for further implementation, as well as new challenges and emerging issues.*"

* **Unclear preparatory process**

Experience with the dramaturgy of previous world conferences has shown that for the purpose of political consensus building the preparatory process is more important than the conference itself. Therefore the trend of the past several years, as recently at the 2005 World Summit, to prepare the conference mainly in informal consultations behind closed doors has become increasingly prob-

lematic. This trend seems to continue in the preparation for the Monterrey follow-up conference.

The Road to Doha

2007:

- * 16 April: Spring Meeting of UN Economic and Social Council (ECOSOC), Bretton Woods Institutions, WTO and UNCTAD in New York
- * Beginning of July: ECOSOC Development Co-operation Forum in Geneva
- * Mid-July: Half-time for implementation of MDGs
- * July 2007: Meeting of Leading Group on Innovative Finance in South Korea
- * 4th quarter: “High level” Dialogue of UN-General Assembly on Development Financing in New York

2008:

- * April: Spring meeting of ECOSOC, Bretton Woods Institutions, WTO and UNCTAD in New York
- * 20-25 April: UNCTAD XII in Accra/Ghana
- * July: ECOSOC Development Co-operation Forum in New York
- * September: 3rd High-Level Forum on Aid Effectiveness in Accra
- * 2nd half of 2008: 2nd International Conference on Financing for Development in Doha

In their FfD resolution, the governments requested the President of the General Assembly to start consultations with the member states and all stakeholders (meaning civil society, business and also IMF and World Bank) in the course of 2007. These are supposed to be conducted in an “open, inclusive and transparent” way. But a reliable official plan for the preparatory process to the Doha conference is still lacking. This not only hampers the systematic participation of NGOs but also the participation by govern-

ments from the South whose representation in New York is often only meagre.

Given this situation the diverse international meetings and fora to be held on the road to Doha on various facets of development financing will be of special importance (see box). In these fora, governments and civil society will continue the debates about the financing of the MDGs, the quality of ODA, the introduction of international taxes, resp. “solidarity levies” as well as combating tax evasion and tax avoidance.

The political challenge for the governments is to bundle this confusing fabric of international discussion processes with the Doha conference and to agree on new initiatives beyond the minimal consensus of Monterrey. This is not made easier by the fact that the planned conference date in the second half of 2008 is during the hottest phase of the US presidential election campaign. Moving the date by a few months to 2009 could possibly raise the chances of success.

Further information:

- * For conference preparations see the websites of the UN Financing for Development Office: www.un.org/esa/ffd and of Global Policy Forum: www.globalpolicy.org/socecon/ffd/indxmain.htm.

Posted: 14 March 2007

Recommended citation: Martens, Jens (2007) ‘Financing for Development II: From Monterrey to Doha’, *World Economy & Development In Brief*, issue 2/Mar-Apr (www.wdev.eu)