

REGIONAL POVERTY BRIEF 1:

Background to the Conference on Financing for Development Monterrey, Mexico, 18 – 22 March 2002

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How it began

In September 2000 the UN General Assembly adopted the UN Millennium Declaration, which collectively committed governments of UN member nations to work to free the world of extreme poverty. The Declaration endorsed a set of Millennium Development Goals for 2015:

- To halve the proportion of people living in extreme poverty, who are hungry and who lack access to safe drinking water
- To achieve universal primary education and gender equity in education
- To accomplish a three fourths decline in maternal mortality and a two thirds decline in mortality among children under five
- To halt and reverse the spread of HIV/AIDS and to provide special assistance to aids orphans
- To improve the lives of 100 million urban slum dwellers.

The declaration highlighted the importance of mobilising the resources to achieve the development goals and, more generally, to finance the development process of developing countries. The Financing for Development Conference taking place in Monterrey Mexico this week is a key event in agreeing on a strategy to mobilise these financial resources.

The Monterrey Consensus

Prior to the start of the conference the participants drew up a *Draft Outcome of the International Conference on Financing for Development*, more commonly known by its subtitle – *The Monterrey Consensus*. Despite its title there has been considerable controversy around the document with a range of organisations arguing that it does not address fundamental shortcomings in development financing. First we look at the document and then at the criticisms.

The *Monterrey Consensus* opens by stating that the goal is to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.

Achieving the internationally agreed Millennium Development Goals demands a new partnership committed to sound policies, good governance, mobilising domestic resources and attracting international flows, trade as an engine of development, increasing international financial and technical cooperation, sustainable debt financing and external debt relief, and more coherent and consistent international monetary, financial and trading systems.

The consensus points out that individual countries have the primary responsibility for their own economic and social development, but recognises the need for international support because of the way national and international systems are interwoven. It commits participants to promoting national and global economic systems based on the principles of justice, equity, democracy, participation, transparency, accountability and inclusion

Under the title 'Leading Actions' the consensus encourages countries to increase official Development assistance to 0.7 per cent of GNP. The final section entitled 'Staying Engaged' contains calls for increased coordination and interaction between the UN and other international agencies in the development sector and to taking steps, nationally and internationally to maintain the high level dialogue around strengthening partnerships for development. It ends with a commitment to report on progress and to hold a follow up international conference to review implementation of the consensus.

(Full text at <http://www.un.org/esa/ffd/DocumentsIndex>)

The World Bank has backed the increase in development assistance, proposing that developed countries increase foreign aid to US \$ 100 billion a year and Bush has suggested that developing countries that 'walk the hard road' should get aid in the form of grants rather than loans.

Criticism of the consensus

The World Council of Churches (WCC) has joined the critics, saying that the consensus is uncritical of the neo-liberal economic model 'which holds no real hope of eliminating or even reducing poverty, but rather continues to exacerbate it.' And that 'The document is not explicit either on control of financial markets or on the promotion of equity and human rights as factors in world trade.' (www.wcc-coe.org/wcc/news/press/02/11pre.html)

Activists have called for concrete promises and pointed out that the aid figures do not reflect the reality of poor peoples lives. (Business Day 18 March 2002, www.businessday.co.za)

In the run up to the conference, Save the Children Fund distributed a briefing paper accusing conference participants, led by the USA, of seeking to avoid agreement at the conference on 'specific mechanisms to implement the financing commitments required to achieve the Millennium Development Goals' and focusing instead on time frames for achieving targets and goals.

Save the Children Fund contends that, at the very least, international action on financing for development must reach the point of 'concrete, timetabled commitments by each donor'. It argues that the Monterrey Agenda does not provide the space for reaching such commitments. At the same time, while the document states that the goal of donor countries is 'to eradicate poverty, achieve sustained economic growth and promote sustainable development', many continue to use aid to promote their own political, economic and military interests.

To address these criticisms SCF calls for donor countries to commit to:

- Demonstrating consistency on the purposes of aid
- Ending all uses of aid that do not contribute to the eradication of poverty and the promotion of sustainable development and human rights
- Ending parallel donor systems of aid disbursement, which undermine national capacity
- Ensuring that aid supports quality and equity within basic services, moving away from donor-driven targets that prioritise achieving narrow quantitative indicators

- Demonstrating how aid will enable states to end their dependence on cost recovery, privatising cores basic services, and the associated deepening inequity
- Demonstrating how aid conditionalities will be made consistent with government ownership of national development strategies
- Demonstrating that past commitments on aid quantity are genuine.

(Full text at www.sarpn.org.za/NEPAD/SCbrief/index.php)

A more optimistic view

The UN itself has a more optimistic view of the conference. In a recent press release UN Development Programme (UNDP) Administrator Mark Malloch Brown states that the event ‘represents a pivotal moment for the world to strike “a new global deal” on development built around the United Nations Millennium Development Goals.’

‘The world has a unique opportunity in Mexico to forge a new global deal - a “big bargain” by which sustained political and economic reform by developing countries will be matched by direct support from the rich world in the form of the trade, aid and investment that is needed if they are to succeed.’ The focus for the deal should be the clear time bound targets for achieving measurable improvements in the situation of the world’s poorest people set out in the millennium Development Goals.

Brown pointed to the New Partnership for African Development (NEPAD) as an example of the developing countries taking responsibility for their own development. However he also pointed to the need for extra support for developing countries and the conclusion reached by the special panel led by former Mexican President Zedillo that meeting the Millenium Development Goals would require doubling current aid flows.

(Press release at www.undp.org/dpa/pressrelease/releases/2002/march/12mar02.html)

The Zedillo report

The report of the High-Level Panel on Financing for Development led by ex president Zedillo made the following recommendations:

- Developing countries should put their economic fundamentals in order
- The WTO should launch a development round
- Least developed nations get immediate help to improve their position in world trading system
- Developing countries should create an attractive environment for foreign investment, particularly foreign direct investment
- The conference should get a commitment from industrialised countries to increase official development assistance to 0.7 per cent of GDP
- Aid should be distributed according to the depth of poverty in a country and the effectiveness of its policies for reducing poverty
- Aid be voluntarily and prudently shifted to a common pool basis financing the recipient’s announced development strategy
- Endorses the proposal to create a global council at highest political level to provide leadership of issues of global governance
- WTO to be better funded and small countries to be enabled to play an effective decision making role. The ILO should get teeth and the commitment to use them. Organisations currently involved be amalgamated into a global environment organisation
- The conference to explore the desirability of securing an adequate international tax source to finance the supply of global public goods
- IMF should recommend special drawing rights (SDR) allocations
- The international community consider the potential benefits of an international tax organisation.

Some of these recommendations are reflected in the Monterrey Consensus but others, such as those on the way foreign aid is distributed and on international taxation do not appear.

(United Nations General Assembly A/55/1000, 26 June 2001, full text at <http://www.un.org/esa/ffd/DocumentsIndex>)

FFD and Southern Africa

Given the extremely high, and rising, levels of poverty in Southern Africa and/or SADC, the outcomes of the conference will be closely watched by a wide range of interest groups in the region – from civil society to governments. A number of these countries are presently undertaking PRSP processes (including Zambia, Malawi, Tanzania and Mozambique), as required by the IMF and World Bank as a prerequisite for HIPC debt relief. Monterrey, if it is to have much meaning, will have to impact positively on these processes.

The FFD conference has also been identified by Nepad as a key international event in the unfolding of Nepad's programme of action. Nepad's key drivers will, in particular, closely watch representatives of the G8 countries for their individual stances on international development finance and aid.

Southern Africa's major input to the conference will be the speech by South Africa's Minister of Finance, Trevor Manuel. Earlier this year, UN Secretary General Kofi Annan appointed Manuel as a roving ambassador for the conference: Manuel will address the conference on Wednesday. He is expected to press for a revised agenda for foreign aid, within the Nepad framework: given that he also chairs a key committee examining the restructuring of the Bretton Woods institutions, his speech is also likely to touch on the governance of the IMF and the World Bank.

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This document is available on SARPAN's Website which can be accessed in two ways, namely on <http://www.sarpan.org.za> or via the link on the HSRC Website on <http://www.hsra.ac.za>.