NGLS Roundup

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In-Depth Discussions on Financing for Development

The Preparatory Committee (PrepCom) for Financing for Development held its second substantive meeting in New York from 12-23 February 2001, during which it took decisions on the host country and title for the event, as well as holding in-depth discussions on all thematic agenda items (see *Go Between* 84 and *NGLS Roundup* 65).

The PrepCom began with an open, day-long session. It was addressed by UN Secretary-General Kofi Annan, the President of the General Assembly, and representatives of the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO), among others. It then continued with in-depth discussion on each of the thematic agenda items. These were domestic financial resources; foreign direct investment and other private flows; trade; international financial cooperation for development through, *inter alia*, official development assistance (ODA); debt; and systemic issues.

Mr. Annan began by recalling how world leaders at the Millennium Summit in September 2000 had resolved to, among other things, halve the proportion of the world's population living in abject poverty by 2015 and reverse the spread of HIV/AIDS, malaria and other diseases. Mr. Annan said world leaders had acknowledged how critical the High-Level Event for Financing for Development (FFD) would be to removing obstacles standing in the way of achieving those targets.

He said that Financing for Development had two tasks: first, it had to come to agreement on policy; and second, it had to catch the attention of political leaders and "financial authorities" throughout the world. "Development is far too important to be left to specialized ministries and agencies," said Mr. Annan, who highlighted the importance of mobilizing the energies of governments and societies as a whole.

Mats Karlsson, Vice-President for External Affairs and UN Affairs, spoke on behalf of the World Bank, one of FFD's institutional stakeholders. Concerning Mr. Annan's recommendations on FFD, he said the Bank was in full agreement with the emphasis of the Report of the Secretary-General to the Preparatory Committee for the High-Level International Intergovernmental Event on Financing for Development on the importance of expanding market access for developing country exports, and the urgency of improving both the quality and quantity of ODA. Mr. Karlsson said said the issue of debt was high on the agenda of the Bank, particularly problems of the poorest countries and the need to bring down excessive debt burdens to sustainable levels and prevent future debt crises.

Regarding systemic issues, Mr. Karlsson highlighted two recommendations from the Secretary-General's report: enhancing the voice of developing and transition economies in decisive international fora, and making better use of the UN's potential to promote and assist development. He said that while there were opportunities to make progress on both fronts, "We would be remiss...if we did not underscore the importance of ensuring that proposals on these issues are compatible with the current governance mechanisms and mandates of the World Bank and other relevant institutions."

Reinhard Munzberg, Special Representative of the IMF to the UN, stressed the need for all relevant institutions to work together on the Financing for Development agenda. He said the IMF was pleased that the Secretary-General's report reflected its own views about critical issues, namely sound domestic policy and external financing. Mr. Munzberg said the IMF would work toward the consensus needed for a better approach to development.

Patrick Low, Director of the Director-General's Office at the WTO, called for greater consistency between donors' trade and aid policies. He said that policy efforts in trade and other fields must be integrated into a consistent set of mutually reinforcing strategies for effective pro-poor development. Mr. Low noted a need for donor partners, developing countries and all international institutions to address development objectives through operational strategies that were informed by "economic good sense" and supported by the highest level of political commitment.

The opening session also heard statements from governments, some of which outlined general positions that they elaborated later in the informal discussions. A number of delegations raised the issue of globalization, and said that the High-Level Event would need to find ways to distribute its benefits more broadly. "Financing for Development," said Ambassador Makmur Widodo of Indonesia, "presents the international community with an excellent opportunity to set in motion alternative approaches to these trends that are heading down a perilous path." Ambassador Kamalesh Sharma (India) said the momentum and perception of globalization had magnified the existing sense of disempowerment and loss of control in the face of new and powerful economic forces. "It is imperative," he said, "that confidence be built that the world economic system is fashioned for the benefit of all and with sensitivity for the national priorities and concerns of developing countries." Mr. Sharma announced that India supported the possibility of introducing an international levy on capital flows between developed countries, and from capital repatriations from developing countries, to be credited to a Global Poverty Alleviation Fund.

Jim Crowe, representative of Canada, said three elements were needed for the success of the Financing for Development process. First, a central focus on the basic objective of development and poverty reduction; second, close cooperation among all relevant international organizations particularly the IMF, World Bank, WTO and UN bodies; and third, close cooperation at the national level among all relevant domestic and international ministries. "To be a success," he cautioned, "this process must do more than just mirror or staple together the outcomes, actual or potential, of these other fora....If that is all we do, we will bring little additional value." Mr. Crowe said that FFD should have a forward-looking agenda and provide an opportunity for discussions that cross "traditional boundaries."

John Davison, representative of the United States, also spoke of the important role that the Bretton Wood Institutions (BWIs) and the WTO were playing in Financing for Development. However, he warned that their independent mandates must be fully respected during the process. "We are concerned that the FFD process may be used as a vehicle for the UN to interfere in the governance and decision-making mechanisms of the Bretton Woods Institutions and the WTO," he said. "Any such attempt, if made, will seriously undermine not only the credibility of these institutions but also the UN's work in development generally." Mr. Davison said his delegation would oppose any such attempts.

Ambassador J. Gabriel Valdés (Chile), speaking on behalf of the Rio Group of Latin American countries, said that within a world still characterized by asymmetrical and unequal globalization and interdependence, the FFD process held great promise for putting back on the global agenda international cooperation for development, equity in international economic and financial relations, and a profoundly "human meaning" of development. Mr. Valdés said that "the process should also lead to renewed efforts to reform the international financial architecture with a view to promoting financial stability," and this should be promoted by enhancing capabilities in the areas of early warning, prevention, and timely response to the emergence and spread of financial crises.

DECISIONS

After months of discussion, the Preparatory Committee for the FFD event decided that the International Conference on Financing for Development will be held in Mexico in March 2002 at the highest political level, including a summit.

Mauricio Escanero (Mexico) told the final session of the PrepCom that his country was very happy to serve as host of the upcoming Conference. "We hope that the offer to host will raise political awareness of the Conference," he said, "and draw the participation of ministers of finance, commerce and trade around the world."

It was also decided that the third session of the PrepCom will be split into two one-week sessions. The first, to be held from 2-8 May 2001 in New York, will follow the Economic and Social Council (ECOSOC) and Bretton Woods Institutions High Level Dialogue on 1 May. The second session will also take place in New York in October/November 2001 during a recess of the Second Committee of the General Assembly.

To prepare for the next session, governments were asked to send to the FFD secretariat by 15 April a "concise identification of possible initiatives and themes." The secretariat will report on this inventory to the third session and provide a copy to the facilitator, Mr. Escanero. He will prepare a working paper that will serve as the means to further focus discussions of the substantive preparatory process which builds on discussions in the first session and other relevant inputs. Mr. Escanero will then prepare a "concise first draft" for the October/November session.

The February PrepCom resolution also requested the FFD bureau to continue to explore ways and means to deepen the efforts of all relevant stakeholders at the regional level, as well as within civil society and the business community, in support of the FFD process. To strengthen participation of the business community, delegations suggested the May session devote one day to the enhancing engagement with the business sector.

DISCUSSION OF THEMATIC AGENDA ITEMS

The February PrepCom allocated one day to the discussion of each thematic agenda item. For each item the Group of 77 developing countries and China (G-77/China) presented a paper on its main positions, and the European Union (EU) responded with an informal presentation in order to encourage discussion. While these two negotiating blocks provided the basis for discussion, the informal sessions also heard from national delegations, UN agencies and a limited number of NGOs. Due to the informal nature of the meetings, reference to country delegations has been limited.

Mobilizing Domestic Resources

Mohammad Ali Zarie Zare (Iran), speaking on behalf of the G-77/China, said individual countries had the primary responsibility for their economic development and domestic resources were vital in this regard. However, external financial flows were a critical factor in determining the success of development efforts by complementing and supporting domestic resource mobilization.

Mr. Zarie Zare said developing countries were continuing to make progress in creating an enabling environment to expand their domestic resource bases to enhance growth potential. Despite this, many developing countries were far from reaching the necessary economic growth rates that could increase their savings and investment ratios, conducive to sustainable development. He identified the unique problems faced by least developed countries (LDCs), African countries, small island developing states (SIDS), land-locked developing countries and other small and vulnerable economies. He also stressed that developing countries had undertaken structural reforms and opened their economies in an effort to integrate into the global economy. However, expectations that these policies would result in increased domestic resources had not materialized. He pointed out that a lack of resources and technical skills constrained developing countries in crucial areas such as tax systems, financial systems, and regulatory mechanisms including prudential regulations.

Mr. Zarie Zare closed by saying that the mobilization of domestic resources could not be viewed in isolation from the global context. This was especially true in light of the impact of globalization, which had transformed various sectors within national economies and therefore the capacity to mobilize domestic financial resources. In this regard, the G-77/China called for international macro-economic stability through, among other things, more stable and non-discriminatory fiscal, monetary and trading regimes; and transparency in the development of criteria for credit ratings.

Ruth Jacoby, Ambassador of Sweden and speaking on behalf of the European Union, said her delegation agreed with much of the G-77/China's statement. She asked what development partners could do to assist in the areas of improved savings, productive investment and taxation systems, and what were the best initiatives to implement pro-poor growth and harness the dynamism of the informal sector. Concerning governance, Ms. Jacoby said it was common sense to tackle these issues, and therefore they should not be a sensitive subject between donors and their development partners. She also pointed out how expensive corruption could be and its role as a deterrent to domestic and international investment.

In discussion that followed a number of delegates noted that a consensus was emerging on the issue of combating corruption, and some developing countries called for international cooperation in this area. Various delegations pointed out that if standards and codes related to corporate governance were to be developed and applied in a universal manner across countries, they should be formulated in a truly global forum that includes developing countries.

Concerning public finances, an industrialized country noted that although taxation is an area for greater international cooperation, tax systems needed to take into account the specific conditions in individual countries.

Mobilizing International Resources for Development: FDI and Other Flows

On behalf of the G-77/China, Mr. Zarie Zare said that mobilizing international resources for development through foreign direct investment (FDI) and other private flows was a key issue, particularly in light of globalization and financial liberalization. He noted that private flows have had a pronounced impact on development despite being concentrated in specific geographical regions and among a limited number of countries. He said proper management at the macro-level could minimize the risks associated with foreign capital, particularly short term flows, and bring a range of benefits including transfer of technology and improved management practices, market access, stimulating competition, lowering the cost of capital, and building market confidence in the host country.

Mr. Zarie Zare said international private flows should not be driven by profit motives alone. He highlighted the benefits of an increase in the sheer volume of international private flows, a more equitable distribution among developing countries, and ensuring that investment is profitable to both the investor and host country.

The promotion of corporate governance, including transparency of activities and accountability, should also be encouraged, and he said that a strengthened UN in the formulation and development of codes of conduct in this area deserved serious consideration.

In conclusion, Mr. Zarie Zare stressed that the volatility of short-term and purely financial flows needed to be addressed. Within this context, he said that devising practical mechanisms for effective monitoring of financial flows and strengthening the regulatory framework to assess them should be pursued at the national level. Mr. Zarie Zare also said that the G-77/China supported all measures to strengthen the transparency of financial markets and credit-rating agencies.

Ms. Jacoby replied that she agreed in large part with the G-77/China and that FDI, if used constructively and effectively, could have important impacts on development. She said that increasing FDI is linked to a favourable enabling environment, similar to that which encourages domestic investment. FDI should be linked to the domestic economy and ultimately pro-poor and developmental, she said, while discouraging the practices of enclave and extractive investment.

Ms. Jacoby said that developed countries could provide more information to their own private sectors, especially transnational corporations (TNCs), about the investment opportunities in developing countries. Concerning investment guarantees, she said the World Bank and its International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) could assist in this. Ms. Jacoby noted that a transparent multilateral framework on investment could help developing countries gain access to more investment flows, and this initiative would be explored further by the EU.

In the ensuing debate, a number of developing and developed countries agreed on the need for effective "home country measures" to both facilitate the volume and improve distribution of long-term private capital flows to developing countries. Relevant measures included the provision of better information, investment guarantees and agreements to avoid double taxation.

A number of delegations stressed an important role for multilateral organizations, including the UN, to provide technical assistance in building up the productive capacity of developing economies to enable them to better mobilize domestic resources and attract foreign capital.

A number of delegations supported the Secretary-General's recommendation concerning ad hoc hearings on investment agreements, and one major industrialized country said it would consider such hearings and would like to see them include bodies such as the Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organization.

Increasing International Financial Cooperation for Development through, Inter Alia, Official Development Assistance

The representative of Iran, on behalf of the G-77/China, opened the session by saying that official development assistance (ODA) flows this year were particularly uncertain due to an emphasis on emergency assistance and the prospects for a sustained rise in ODA levels by individual donor countries. Despite these uncertainties, Mr. Zarie Zare said ODA was still critical for all developing countries and especially LDCs, African countries, small island developing states, and land-locked developing countries.

Concerning the volume of ODA, he noted that ODA flows have been steadily declining in both relative and real terms since the early 1990s, which coincided with a UN conference that set clear guidelines for development cooperation. He called on the donor community to build political will to increase the amount of ODA toward meeting its international commitments, and he stressed that concessional resources needed to be available and compatible with the development situation of recipients.

Concerning the improvement of aid effectiveness and efficiency, Mr. Zarie Zare said a number of factors would have to be considered including the policy and institutional preconditions in recipient countries, the volume of available resources, and the level and nature of transaction costs in the aid delivery system. Ownership by recipient countries in formulation and implementation of programmes and projects needed to be ensured. Poverty eradication should be the overriding objective of ODA, and such assistance should be geared to and supportive of the national poverty eradication strategies of developing counties. He noted that one issue developing countries repeatedly raise has been harmonizing and simplifying operational polices and procedures in order to minimize administrative complexities in managing international assistance. Donors should be cautioned against making excessive or unrealistic demands on recipient countries in this regard, he said.

Mr. Zarie Zare addressed the issue of global public goods (GPGs) by saying that there existed a wide range of goods and services traditionally considered within the purview of the national domain, but that had become global in nature and could no longer be provided through domestic policy alone. He cautioned against GPGs drawing attention and resources away from conventional official development assistance programmes, and he called for new and additional resources to address GPG concerns.

Ms. Jacoby said that ODA needed to be directed to the poorest countries, especially those pursuing sound policies. ODA was especially important for LDCs, she said, as it could help leverage domestic and foreign capital that these countries would not be able to attract otherwise. She said the EU agreed with recipient countries that donors could improve practices to make ODA more effective for developing countries, including in the areas of predictability of financing and reporting requirements.

In the debate that followed, many delegations said the declining trend in ODA needed to be halted and reversed. There was consensus on the need to improve the effectiveness of aid, including the removal of unrealistic policy conditions and the reduction in amounts of "tied" aid. While numerous delegations called for greater recipient country ownership of ODA, it was also noted that this did not necessarily mean government ownership—civil society and the private sector also played an important role in this regard. With respect to GPGs, some delegations called for tightening its definition and a clearer understanding of the implications of this concept. Some delegations and the UN's principal development agency stressed that resources devoted to GPGs should not come at the expense of reducing official development assistance.

Debt

The discussion on debt began with the representative of the G-77/China pointing out that external debt had been a concern of the South for decades because debt servicing was a problem for almost all developing countries to varying degrees. With regard to existing initiatives to address the debt problem, he said there were serious shortcomings and any new comprehensive initiative needed to be multi-dimensional in nature and include the provision of technical assistance for optimized management of outstanding debts.

Addressing the debts of low-income countries and the current enhanced Heavily Indebted Poor Countries (HIPC) debt initiative, the G-77/China welcomed the "floating" completion point, which tied debt relief to good performance rather than just timelines. However it said concerns remained over the shortage of actual contributions to the Trust Fund. The G-77/China called for greater flexibility in the HIPC initiative to allow more low-income countries to benefit from debt reduction. It said it also supported the provision of a moratorium or outright debt cancellation for low-income countries, and resources for these initiatives should not come at the expense of lower ODA flows. In order to avoid building up unsustainable debts in the future, the G-77/China suggested that new financing for HIPC countries should come in the form of grants or on highly concessional terms.

Mr. Zarie Zare also raised the issue of middle-income countries' debt. He pointed out that this group of countries holds more than 80% of outstanding debt stock; because they have access to international capital markets and have a mix of official, quasi-official and private creditors, their situation is complex. Their debts needed to be handled at all levels in a prudential fashion because their default could pose challenges for the stability of the international financial system. In this connection, Mr. Zarie Zare mentioned that more attention should be paid to the restructuring of sovereign bonds, which had grown as a source of external private financing. A mediation-type mechanism was also recommended to accommodate simultaneous, fair and full treatment of all foreign debt obligations of a country.

The representative of the European Union highlighted the successes of the HIPC and enhanced HIPC initiatives, and said that the current framework was the appropriate one to deal with the unsustainable debts of the heavily indebted poor countries. Responding to the G-77/China call to address the debts of middle-income countries, Ms. Jacoby said that because these countries had such diversified sources of financing including high levels of commercial debt, debt reduction and debt cancellation would not be in their best interest. Such actions could jeopardize future borrowing, and it would be more prudent to keep discussions of middle-income debt within the Paris and London Clubs of creditors, she said.

In a lively discussion on debt, polarized views became evident between developed and developing countries. A clear area of disagreement was whether or not current initiatives go far enough to provide a sustainable solution to the debt problem. Developing countries emphasized that the current enhanced HIPC debt initiative, while addressing some debt problems, did not include all low-income countries or any middle-income countries. They also called for greater mediation between creditors and debtors.

On the other hand, developed countries felt that the enhanced Heavily Indebted Poor Countries debt initiative should be the main vehicle to solve the debt problems of low-income countries. They suggested that the Paris and London Clubs of creditors could better handle the debts of middle-income countries. The debate resulted in some areas of agreement, including the need for better transparency and standards relating to both creditors and debtors.

Trade

The representative of the G-77/China started off the trade discussion by emphasizing that it was the most important and multi-dimensional mechanism for almost all developing countries to mobilize and expand their resource base for financing development. Trade was also important for integrating into the international economy and could contribute to foreign exchange earnings, expansion of domestic savings, expansion of tradable sectors, promotion of economic growth, and eradication of poverty.

While many developing countries had taken strides toward more liberalized economies, Mr. Zarie Zare cautioned that liberalization should be sequential in order to limit the social and economic costs associated with adjustment policies. He highlighted market access by saying that protectionist policies of developed trade partners imposed costs on developing countries that far outweighed aid flows. He said this was due particularly to policies in such sectors as textiles, clothing, footwear, foodstuffs, metal, plastic, agriculture and services. Duty-free and quota-free market access to all exports of LDCs and HIPCs was especially key and should be extended to other developing countries as soon as possible, he suggested. In this regard, the G-77/China welcomed the All Goods But Arms initiative being considered by the EU but felt it needed to be expanded to include other developing countries.

Mr. Zarie Zare also discussed developing countries' reliance on commodity exports and the fluctuations that can result in export earnings. In this regard, he said much more needed to be done by international financial institutions to devise more flexible mechanisms for supporting balance of payments difficulties. Developing countries also needed assistance to diversity their export base, he said, and monitor the use of anti-dumping measures against developing countries.

Richard Wyatt of the European Commission, speaking on behalf of the EU, emphasized that trade was an important contributor to growth. He added that while trade is a necessary condition for development it is not sufficient, and trade related measures should be part of pro-poor development policies. In order for trade openness to bring sustainable development and poverty reduction, a number of conditions needed to be present. These included productive capacity, trade related technical assistance, an enabling domestic environment, good governance, and participation in a stable and predictable multilateral trading system. Mr. Wyatt said the EC/EU wanted to identify the circumstances that contribute to the development impact of trade, which would require linking to other themes of the domestic environment and FDI. A multilateral framework of investment rules would clearly enhance this effect and help developing counties attract increased levels of FDI. He said the positive synergy between trade and investment clearly needed greater attention.

Mr. Wyatt said coherent trade policy reforms remained an essential element of internal reforms, and the objective of further integration into the world economy could only be achieved through an integrated approach that addressed trade and macro-economic policy, private sector development, finance, infrastructure, education and other supply side measures.

Concerning a new round of multilateral trade negotiations, Mr. Wyatt said these should entail substantial improvements in market access across the board, including on products and services exported from developing countries. He acknowledged this would involve sensitive sectors within developed countries.

In the remainder of the discussion on trade, delegations generally agreed on the need for a multilateral, transparent, rules-based trading system. There was agreement on the need for both improved market access for the exports of developing countries, and for capacity building to help them better integrate into the global trading system. Developing countries along with several industrialized countries emphasized the explicit need for access to agricultural, textile and garment markets. However, the majority of developed countries focused on improved productive capacity in such areas as physical and human infrastructure to enable developing country firms to better penetrate industrialized country markets. Some discussion revolved around the special needs of LDCs, including assistance for them to fulfill their obligations to the WTO and for providing duty free market access to their exports.

Some delegations called for expanding compensatory mechanisms and other facilities to better help developing countries mange short-term fluctuations in export earnings. Representatives of two large multilateral lending agencies said that there was no need to establish such a global facility.

Systemic Issues

Concerning systemic issues, the G-77/China position was that the existing institutional arrangements and international cooperation at the global level "lags far behind" the process of economic and financial integration. Mr. Zarie Zare said that a deep asymmetry existed between the dynamic development of financial markets and the absence of suitable macro-economic and financial governance.

One particular concern was that of participation. According to Mr. Zarie Zare, adequate representation and broad and meaningful participation of developing countries in the international economic decision making and norm-setting processes were needed to achieve a more equitable distribution of the benefits of globalization. Such changes were necessary in bodies such as the Financial Stability Forum, the Bank for International Settlements (BIS), the Basle Committee, and the BWIs.

With regard to policy coordination, he said that "enormous room" still existed to improve the existing arrangement for norm setting and policy coordination. He highlighted the need to strengthen the coherence and consistency among the BWIs, WTO and the United Nations, and improve regional and subregional cooperation and coordination arrangements in monetary and financial matters.

In order to strengthen the international financial architecture, Mr. Zarie Zare said a new framework needed to be responsive to the priorities of growth and development, and should be promoting economic and social equity. The implementation of international prudential standards and regulations for national financial systems should take into account various factors including a country's stage of economic development, administrative capacities and cultural and legal traditions. Regarding industrialized countries, all relevant financial markets and institutions including all highly leveraged institutions should also be subject to prudential standards and regulations. Furthermore, consideration should be given to the possibility of establishing regulatory frameworks for short-term capital flows and trade in currencies.

National autonomy was key in selection of a development strategy, particularly in the areas of management of the capital account and choice of the exchange rate system, said Mr. Zarie Zare. In this regard, internationally-supported adjustment programmes needed to be development-oriented and respect the realm of national sovereignty. He said the G-77/China strongly supported the IMF's role in providing financial packages before and during crises; an enhanced provision of emergency financing during crises should be a pillar of the system.

Concerning strengthening the role of the United Nations, Mr. Zarie Zare said the G-77/China firmly believed that the UN should be a central pillar of the international system, acting in collaboration with the BWIs and the WTO.

Ms. Jacoby said that the international system should mobilize both domestic and international resources, which would require policy coherence at all levels. First there should not be a call to create new bodies, new institutions and fora to solve current problems. She used the example of international tax cooperation: while the issue required further consideration, a new fora was not the answer. Instead, it was imperative that all players have clear, differentiated tasks but work in a cooperative and coherent fashion.

Ms. Jacoby noted the importance of the international financial institutions in leveraging both foreign and domestic financing for development. In a direct response to the G-77/China, she pointed out that the reform process was ongoing at these institutions, therefore it was not fair to say that they have not kept up with the needs associated with globalization.

Concerning the IMF, Ms. Jacoby said it should not take on the role of "lender of last resort" in times of crisis. While the IMF played an important catalytic role in generating private lending, the dialogue between the IFIs and the private sector needed to be improved in order to work out a clearer framework for the involvement of the private sector in resolving crises.

During discussion, there was general agreement that the implementation of international prudential standards and regulation for national financial systems should take into account a country's stage of development. Several delegates warned, however, that this should not weaken standards in any countries. Both developed and developing countries spoke of the importance of the private sector's involvement in the resolution of financial crises.

A number of delegations agreed that improving regional and sub-regional cooperation in monetary and financial matters needed more attention. One developing country delegation raised the issue of regional monetary funds. The representative of a major international financial institution said that while the institution was not against the formation of a regional monetary fund, such a body needed to be well-designed and complementary to the institution's existing work.

A number of developing country delegations supported the idea of an international forum for cooperation on tax matters; however strong opposition was raised by the major industrialized countries. They said they supported more cooperation in this area but resisted the idea of a new forum that they said could add to further fragmentation of the international system.

In a discussion on improved representation for developing countries in decision making within certain fora and institutions, one major developed country argued that such questions should be taken up within those bodies themselves.

CO-CHAIR SUMMARIES

The Co-Chairs provided a summary of the sessions structured around the six thematic agenda items. They were careful to point out that the summary contained their perceptions of the areas of convergence and emphasized that there was no consensus.

"We should be clear," said the summary, "that some of the ideas presented here might be on the fringes of what you would consider acceptable....Finally, we do not desist from occasionally mentioning an idea that simply struck us as particularly interesting, even if it might not be ripe for agreement by March 2002."

Some excerpts from the summary follow; the full version, which contains both a convergence of views as well as issues for further consideration, is available on website (www.un.org/esa/ffd).

I. Domestic Resource Mobilization

Issues for Further Consideration

- The linkage between domestic policies and a supportive international economic environment.
- Enhancing national capacities of developing countries through technical assistance to support domestic resource mobilization efforts.
- Public finance as a key theme of the final event.
- Simplicity, transparency and efficiency of administration in the development of tax systems; international cooperation to prevent double taxation, tax avoidance and evasion.
- Fighting corruption at the national and international levels and developing an international legal instrument.

II. International Private Flows

Issues for Further Consideration

- Ad hoc hearings to discuss international investment agreements.
- Possibility of bringing together governments, international organizations, business, labour and NGOs for dialogue on FDI, including technical assistance issues.
- Use of three "bottom lines" by good corporate citizens to measure their performance: financial, social and environmental.

- Linking of benefits for investors to benefits accruing to the investment-receiving area.
- Mechanisms to improve information on short-term capital flows.

III. Trade

Issues for Further Consideration

- Duty-free and quota-free market access for non-arms exports of least developed countries, other low-income African countries, small island developing states and landlocked developing countries.
- Further trade liberalization for goods important to developing countries (e.g. agriculture, textiles and clothing). Particular importance of liberalization of agriculture for poverty reduction and elimination of subsidies to agriculture.
- Effective support for countries experiencing balance-of-payments pressures triggered by volatile commodity prices; new mechanisms to mitigate commodity price risk for developing countries.
- Areas of inconsistency between the trade regime and development goals.
- Synergies between trade and foreign direct investment.

IV. International Financial Cooperation Through, Inter Alia, Official Development Assistance

Issues for Further Consideration

- Ensuring flexibility in aid delivery, including through harmonization of donor procedures and consideration of conditionality as well as measuring aid effectiveness.
- A more systematic and clear definition of global public goods. In trying to clarify the definition of GPGs, four points were made: the definition of GPGs is technically simple but politically difficult; ODA and GPG agendas are closely linked but should not be mixed; public sources for GPG funds should include not only development ministries but sectoral ones; and follow-up work is underway in further elaborating the arena for future action.
- The upcoming analysis requested at Copenhagen+5 on innovative sources of financing.

V. Debt

Issues for Further Consideration

- Consideration of a moratorium or even debt cancellation where appropriate in low-income countries in extreme situations, such as natural disasters.
- More common use of "collective action" clauses in bond contracts to facilitate participation of private creditors in debt workouts.
- The idea of 100% reduction of ODA debt and eligible credits for countries qualifying for HIPC debt reduction, as presented in the Palermo statement of the G-7.
- Possibility of naming a mediator acceptable to all relevant parties to facilitate arriving at a mutually satisfactory resolution of a debt crisis, as an additional voluntary option for debt restructuring.
- A proposal that debtor countries should form a "debtors' club" and negotiate their debt relief terms together, rather than on a case-by-case basis.
- Questions of how to resolve non-performing loans originating from the private sector borrowing in view of the fact that most foreign debt in developing countries comes from the private sector.

VI. Systemic Issues

Issues for Further Consideration

- Adequate representation and improved participation of all countries, in particular of developing and transition economies, in international economic decision making.
- Enhancing the capacity of multilateral organizations to provide emergency financing.
- Respect for autonomy in the areas of management of the capital account and the choice of exchange rate regimes.
- Possible ways to improve international arrangements for cooperation between national tax authorities.
- Strengthening of the role of the United Nations as convenor and facilitator of policy dialogue and consensus building on global economic, financial and development issues.

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