2006 Special High-Level Meeting of ECOSOC with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development
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Civil Society Statement

Coherence, Coordination and Cooperation in the context of implementation of the Monterrey Consensus

In search of political will

The Monterrey Consensus was an important moment in taking forward the agenda of shared and equitable development. In taking this forward, Financing for Development (FfD) was identified as an important mechanism that was to work in tandem with National Development Strategies to deliver the goal of shared and equitable development. The international consensus in Monterrey recognized the FfD process as an important opportunity for comprehensively dealing with issues relating to trade, international finance, debt, development aid, investment and capital flows in the process of delivering sustained and equitable growth. In implementing the Monterrey consensus and therefore making Financing for Development a reality, ECOSOC was identified as the main institutional anchor that was to coordinate the activities of the IMF, the World Bank, UNCTAD, the WTO and other non-governmental stakeholders.

Despite the clarion call from Monterrey and its clearly articulated goals and mechanisms, today more than five years after the event, the implementation of the Monterrey Consensus remains a fervent hope rather than in any sense being a lived reality. As the UN Report on the World Social Situation 2005 notes "economic and non-economic inequalities have actually increased in many parts of the world, and many forms of inequality have become more profound and complex in recent decades" and leaving aside China and India "levels and persistence of poverty are more pronounced". More than 1.5 billion people live in abject poverty and nearly 550 million people count themselves among the working poor. As the same UN Report also notes, "Access to jobs is essential for overcoming inequality and reducing poverty", however "much of the developing world has experienced high and even rising unemployment."

It is important to recall in this context that national governments have already adopted in 1995 the Copenhagen Declaration on Social Development and Programme of Action of the World Summit for Social Development In doing so they have specifically committed to eradicating poverty, pursuing full employment, fighting social exclusion and gender inequality. Ten years after the adoption of the Copenhagen Declaration and four years after agreeing on the Monterrey Consensus, it appears that national governments lack the political will to put in place National Development Strategies that would help achieve these goals. If national governments seem to be hamstrung by a lack of political will, the constriction of national economic space by IFIs complicates in most instances and thwarts in some the implementation of National Development Strategies.

It is easy to forget the faces behind the facts, figures and economic theory, and the devastating impact that failed on unimplemented policies from the FFD discourse have on human lives. These are the faces we should have before us now as we deliberate. Individual governments acting on their own or together, must work to increase development assistance to poor countries through taxation, surcharges, solidarity levies, financing facilities, trade agreements. Still this is an area where there is a glaring absence of political will to follow through and implement policies that make things happen. Furthermore, in tackling these issues, unilateral initiatives by some member states are greatly undermining the multilateral approaches agreed upon by the international community.

For CSOs, *Political Will* or more precisely its lack is the critical ingredient that has led to a stalled development agenda – the lack of political will on the part of national governments to implement National Development Strategies so as to achieve goals agreed upon in the Copenhagen Declaration and the Monterrey Consensus; and the lack of political will on the part of developed countries to restrain IFIs and thereby afford national governments the policy space so critical to the implementation of National Development Strategies. *Political Will for* ***Implementation.***

Political will was harnessed in Monterrey in 2002 when member states recommitted themselves in the Monterrey Consensus to address the economic needs of development comprehensively. They recognised that agreements made by their government on trade must be complementary and supportive to strategies of debt reduction and provision of overseas aid. But that same *political will* has been shamelessly lacking in delivering on these commitments.

Political will is crucial for delivering on the broad agenda of this meeting:
- Implementation of and support for National Development Strategies towards the MDGs
- Trade: Fulfilling the development dimension of the Doha Work round and the areas like 'Aid for Trade'
- External Debt: Implementing and building on current initiatives
- And supporting the development efforts of Middle Income Countries

I will take this opportunity to highlight in some depth concerns that are being expressed by many of us in the CSO community on this year's agenda:

1. Implementation of National Development Strategies and achievement of MDGs – Where is the political will?

Political will for the effective implementation of National Development Strategies has to come from two key areas: - societies and their respective national governments must claim ownership on the process; and the international community general and community of donors in particular must support them and allow them the policy space to do it. Frequently we have seen that instead of working together these two areas work against each other.

There are many examples where donor policies have directly hindered a national government or society's ability to determine their own development policies. This in turn makes it difficult for governments to be democratically accountable to their citizens for the economic policies they implement.[1]

Misplaced priorities have meant that national governments are often more beholden to donors rather than their citizens. Because of this civil society organisations are concerned that recognition for the importance of stakeholder participation in development strategies (PRSPs etc) is an exercise in tokenism. And that poor and marginalised communities still have no real say in the economic policies that affect their lives- this is particularly the case with indigenous or minority groups who tend to bear the brunt of inequality within national economic spaces.

The agreement by heads of state in the 2005 UN World Summit "…to adopt by 2006, and implement comprehensive national development strategies to achieve the internationally agreed development goals and objectives, including the Millennium Development Goals" offers a real opportunity. But only if there is the political will to implement it. This means allowing national governments the policy space and providing the support for them to devise economic and social policies that will best address the MDGs in their country. It also means that national governments must have the political will required to engage with national stakeholders on devising and implementing the policies that will be most effective at meeting the MDGs.

Make no mistake however, that national development strategies are way more than PRSPs which have been the prerequisite for debt reduction. The achievement of MDGs can only be the first step fulfillment of national development goals which are defined by pursuit of goals enshrined in the Copenhagen Declaration.

For effective planning of National Development Strategies Official Development Aid from developed countries need to be assured at the levels committed to in the Monterrey Consensus of 0.7 % GNP without conditionality that undermines pro-poor policies.[2]

Finally CSOs would like to reiterate that the ECOSOC has been and was envisaged as the focal point of the implementation of the Monterrey Consensus and therefore must continue to remain the locus of all activities that take us towards the realization of the Consensus through the FfD process.

In the light of the above we would like to recommend the following:

1. IFIs and donor governments must facilitate the process of achieving Copenhagen Declaration and the Monterrey Consensus not only by ensuring that domestic resource in developing countries is aided by international resource flows but also by affording rather than constraining the policy space within which this articulation and implementation must take place.

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[1] "Denying Democracy: How the IMF and World Bank Take Power from People," World Development Movement, May 2005; 'Kept in the Dark: Parliamentary scrutiny of the IMF and World Bank', AFRODAD, April 2005.
[2] SG note paragraph 12 (FFD doc?)

2. Nation States need to take the responsibility to articulate and implement national development strategies.
3. National Development Strategies must emerge through a consultative and participatory process involving all relevant stakeholders.
4. That there is as wide as possible a dissemination of national development strategies and goals.
5. That national governments, donor governments and IFIs periodically report to the ECOSOC on the progress of these shared goals set out above.

2. Trade

The WTO is often been referred to as the appropriate venue for shaping trade policies. However, all available indications suggest that the impending "moment of truth" dead line of the end of April 2006 for the establishment of modalities in Agriculture and Non-Agricultural Market Access (NAMA) is unlikely to be met.

The Doha Round of negotiations could do with a wake up call from this meeting. Unless and until there is more coherence between all forms and nature of trade negotiations and the ECOSOC agenda these high level dialogues would simply not have the broad based support necessary to deliver the sort of trade liberalization that brings benefits to all players and stakeholders concerned. It is time ECOSOC took a more proactive stance to ensure trade and financial policies do not continue to undermine its role as the body entrusted to secure cooperation coordination and coherence in the UN system

The process is still thwarted by less transparent mini-Ministerial Super Green room meetings of some Ministers, which have been protested by NGOs. Furthermore, several substantive issues remain unresolved:

In relation to **Agriculture**, despite some movement in Hong Kong there has not movement in subsequent discussion on modalities that would secure movement. Developed countries continue to maintain their trade distorting subsidies to the detriment of developing countries. While developed countries protect their markets, they seek to open the markets of developing countries; they undermine the ability of developing countries to retain crucial and sufficient policy space to set appropriate levels of tariffs in order to deal with trade distortions to protect the livelihood of their farmers, to intensify rural development and ensure food security.

In addition CSOs would like to reiterate that linkage between liberalization of agricultural trade by developed economies and NAMA and services markets access in developing countries go against the spirit, if not the letter, of the Doha Development Agenda. At the core of the development agenda of the Doha Work Programme lies the liberalization of trade in agricultural commodities. Dismantling of tariff and non-tariff barriers protecting agricultural markets of developed market economies would go a long way in a more equitable sharing of the gains from trade. A heterogeneity of interests and concerns makes agricultural trade liberalization a complex if not difficult process. To link this complex process to progress in NAMA is to make unfair use of the considerable leverage that developed countries possess and perhaps even thwart it.

On **NAMA** the situation is even more dire. Double standards still prevail – what is good for goose is good for the gander – For years developed countries have protected their infant and "critical" industries through tariff barriers but now refuse developing countries to do likewise.[i]

There is neither semblance of fairness nor equity in the negotiations, be it in terms of process or in substance. If developing countries are forced to drastically cut their NAMA tariffs, that will spell de-industrialization and exacerbate unemployment trends and adversely affect the ability of developing countries to raise domestic resources to achieve sustainable development goals. This is the reason developing countries are insisting that "No deal is better than a bad deal in NAMA".

The strategy of developed countries is no different when it comes to **Services.**[ii] With vast differentials in the supply capacity in the services sector between developed and developing countries adequate balance can only be achieved if developed countries undertake commitments in other areas of negotiations, particularly agriculture and NAMA.

The proliferating of **free trade agreements** (FTAs) between developed and developing countries is undermining the WTO Doha Round at a highly critical juncture. FTA negotiations need to be halted if the Doha Round is to be given undivided attention and any chance to succeed. Because of the proliferation of FTAs, the non-discrimination clause in world trade – i.e., MFN, - is more the exception rather than the rule.

It is worth noting that the as UNCTAD's TDR 2005 points out commodity export prices have gone up in the last few years, underpinned by burgeoning demand from China and to a lesser extent India. As a result commodity exporters have after a very long time faced favourable terms of trade. The dynamics of commodity price formation will ensure the fact that these prices increases will sooner rather than later moderate. It is worthwhile therefore to think of aiding commodity exporters to make best use of these favourable circumstances. In this respect UNCTAD, given its competencies could play a leading role.

One way to achieve this is to add value to commodity exports. In this context the demand of developing countries for **tariff de-escalation** in terms of market access to developed country manufactured goods markets takes on added significance. Tariff de-escalation will provide both possibility and the incentive to travel up the value chain in commodity exports. NAMA along with tariff de-escalation will open up the possibility of growth and industrialization. NAMA without tariff de-escalation will leave countries facing the spectre of de-industrialisation and being trapped in the vortex of volatile commodity prices in perpetuity.

The **Aid for Trade** agenda now under consideration by the WTO task force, intended to help all developing countries build trade-related infrastructure, improve production and other supply capacities and thus strengthen their competitiveness; should be guided by the principles of additionality, predictability and functionality. Aid for trade should be on a non-debt-creating basis with no new conditionalities and managed with due respect for national policy space and ownership.[iii]

Recommendations:

1. Liberalisation of agricultural trade is key to the achievement of the Doha Development Agenda and therefore must not be linked to market access in other sectors. But this liberalization must take into account the heterogeneity of interests that characterize agricultural trade so that legitimate concerns are addressed and interests protected.
2. A deepening of the concept of Special and Differential Treatment is one the best ways of taking care of the dynamic growth concerns of developing countries and bringing them on board for wide ranging trade liberalization
3. NAMA negotiations must include negotiations around tariff de-escalation so that the path of industrialization using trade becomes a feasible strategy for developing countries.
4. The proliferation of plurilateral trading arrangements must be halted so that the benefits of across the board multilateral trade liberalization might be maximized.

3. Debt

It is unconscionable that the external debt burden continues to cripple the economies of deprived communities. So far, although progress has been made, efforts by creditors have fallen far short of acceptable targets and in doing so they are jeopardising the ability of states to reduce poverty and fulfill the MDGs and meeting commitments that they have undertaken by accepting the Copenhagen Declaration. At the same time the conditions attached to debt forgiveness constrain states in their national development strategies.

In a large number of countries **increasing debt-gdp ratios are concomitant with capital flight** by the rich. This flight of capital is oftentimes linked to non-transparent ways in which the debt is both contracted and spent. One way therefore of dealing with rising debt-gdp ratios, capital flight and the associated corruption is to make both debtors and creditors liable for the way debt is contracted and spent. In this context, the **forgiveness of odious debt** takes on a very high priority.

In the context of debt write downs, innovative mechanisms such as **debt arbitration arrangements** should be explored fully, such that the resolution of a debt overhang is the result of a negotiated settlement between debtors and creditors, leading to both a more efficacious and equitable process.

From its inception, the Jubilee debt tradition has been a call for debt cancellation as a justice issue. Citizens being made to pay for agreements made by their governments, more often than not without parliamentary scrutiny or accountability.

The problem of the external debt burden can only be effectively addressed in the context of a broader economic and political agenda - trade justice, adequate aid and good global governance. The External Debt burden is but a symptom of the ailing dominant economic model that puts economic growth (or profits) before basic needs of the vast majority of the community. What is required is a paradigm shift to a "people-centered" development model that fully considers the social impact of economic policies and gives priority to meeting the basic needs of the people.

People continue to talk about sustainable debt burdens, but what does this really mean? Is a country's debt sustainable if it allows the country to achieve the Millennium Development Goals by 2015 and to meet the additional financial requirements imposed by exceptional needs such as the effects of natural disasters and HIV/AIDS? What about those whose level of poverty does not rise to $2 a day, or the children who get through universal primary schooling and then leave at the age of 11?

The level of debt burden is sustainable only when the economic and social rights of people are not directly compromised by servicing the debt. This should be determined by the people (their legislature). It is only when resulting economic growth can guarantee covering of all basic needs and pays debt servicing, that the policy should be considered worthwhile.

The buildup of an external debt burden, by mortgaging future earnings or the assets of tomorrow's generation is to be vehemently contested if presented as the only viable option for development. If the rights of creditors is to protected by ensuring that there is orderly debt-servicing, the rights of debtor countries to a sustainable livelihood must also recognized. **Therefore there should be no debt workouts that harm the ability of economies at the very minimum to meet their MDGs.**

Finally unsustainable debt burdens make countries vulnerable to financial crises. However it is worth noting that unless adequately protected, economies integrating into global financial markets might also find themselves vulnerable to financial crises. **Countries have chosen to protect themselves while integrating into global financial markets either by holding large quantity of reserves and/or putting restrictions on capital account convertibility**. Whereas IFIs have in general characterized capital account restrictions as being inefficient, holding large quantities of reserves earning very low returns is not a particularly efficient use of scarce developing country resources. In this context, CSOs note with concern the fact that largely as a result of the policy of holding huge foreign exchange reserves as a buffer, **in the net developing countries have been exporting capital to developed countries rather than the other way around**. The sooner this capital flow is reversed, the easier it might become for developing countries to meet goals committed to in the Copenhagen Declaration and the Monterrey Consensus.

Recommendations:

1. Effective debt arbitration mechanisms so that the burden of workouts is even shared between debtors and creditors.
2. Odious debt forgiveness.
3. Continued servicing of debt must not impair an economy's capability of fulfiling MDGs.
4. Reversal of capital flows to developing countries.
5. Holding large foreign exchange reserves may not be most effective mechanism of protecting developing countries from the volatility associated with global financial flows and markets.

Middle Income Countries

We have discussed today the importance of ensuring that MICs are not overlooked when it comes to FFD.

The term itself MIC belies the differing economic levels of states and the fragility of many in that category to rapidly return to a lower income level. At the same time rising to such a level

can mean an immediate reduction in states access to support from the international financial architecture.
All aspects of the Monterrey Consensus must be applied to the middle-income countries with the same transparency and urgency used for other economically fragile countries.
Addressing the systemic issues outlined in the Monterrey Consensus would greatly serve the middle-income countries and provide them with the infrastructure they need to engage the international economic arena in mutually beneficial ways.

Developed countries can help empower the poor to integrate themselves into the market economy by providing support for education, health care, nutrition and other basic needs particularly in rural areas. (UNPAN)

Increase efforts are needed to finalize bi-lateral tax treaties to eliminate double taxation, promote equitable distribution of taxes among competing jurisdictions, and improve international income allocation (UNPAN)

The focus on LDCs and HIPCs should not in anyway suggest that MICs have sorted out developmental issues related to poverty and employment generation. Indeed they perhaps face these in more pressing ways where the fact of globalization forces them to accelerate the pace of transition without always having the domestic resources with which to hasten that pace.

The best solution to this problem is allowing NICs the policy space within which to tailor a development strategy best suited to their specific situation rather than force a one-size-fits all strategy as the IFIs are wont to do. Crucially this will allow them chose the pace of integration in to the global economy and perhaps make that process more sustainable.

Recommendations:
1. A focus on MICs critical to ensuring that gains made in the recent past are sustained.
2. Allow NICs the policy space to chose both the nature and pace of integration.
3. National Development Strategies should also ensure that global inequalities are reduced.

Conclusion

In conclusion we would like to return to a theme reprised in the introduction. The key to sustainable development, achieving MDGs and fulfilling goals committed to in the Copenhagen Declaration and the Monterrey Consensus is the political will to implement national Development Strategies on the one hand, and the policy space within which to formulate and implement on the other.

A transparent and democratic process that allows the above to happen is the best way to ensure equitable and sustainable livelihoods.

The ECOSOC has the mandate to oversee this process through the implementation of the FfD process. It is time ECOSOC took a more proactive stance to ensure trade and financial policies do not continue to undermine its role as the body entrusted to secure cooperation coordination and coherence in the UN system.

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[i] WTO negotiations on industrial goods tariffs are mired in controversy over coefficients, the Swiss formula and non-linear mark-ups. Such obscurations allow national interests to hide behind technicalities and serve to bog down negotiations. The Hong Kong Ministerial reiterated "less than full reciprocity" in tariff reductions for developing countries but developed countries continue to violate this mandate under the pretense of giving them a "higher" coefficient under the Swiss formula. In reality, looking at actual percentage tariff reduction would provide a more sensible premise for negotiations.

[ii] The strategy of the developed countries has been to move in stages in a sustained and determined way. Up to 2001, the framework retained the flexibility for developing countries to choose the sectors and to liberalize and put in whatever conditions they chose in these sectors. Hong Kong however laid down an elaborate procedure that started 'plurilateral' market access negotiations among groups of countries.This implies a shift away from the positive/negative list approach to negotiations on some type of formula for liberalization of the services sector with the effect that "the results of such negotiations shall be extended on an MFN (most favored nation) basis" which in effect means that there cannot be any discrimination between countries supplying the service.

[iii] Meanwhile, issues rejected by developing countries at the WTO are being re-introduced by the back door through proliferating **free trade agreements** (FTAs) between developed and developing countries. They are comprehensive in scope and have been found to increase poverty, hunger, unemployment, financial instability, de-industrialisation, trade deficits and worsen education and health outcomes for developing countries. The broad nature of these FTAs reduces policy flexibility for developing countries. For example, many environmental and health measures could constitute 'expropriation' which must be compensated. If developing countries fail to comply with the obligations under these FTAs, they can be sued and when they lose, retaliatory tariffs can be put on any of their exports. These FTAs are entered into for political reasons, even when the economic outcome is apparently detrimental for the developing country.

FTA negotiations are taking energy and political capital away from the WTO Doha Round at a highly critical juncture. They are creating a thicket or as the Asians are calling them a "noodle bowl" of special favors and country-of- origin rules which are a nightmare for businesses trying to organize efficient production systems. In Asia, China started the frenzy forcing Japan and Korea to follow suit to twist the arms of the Association of South East Asian Nations (ASEAN). Currently, it is the US that is forcing the pace with negotiations about to start with South Korea and Malaysia. FTA negotiations need to be halted if the Doha Round is to be given undivided attention and any chance to succeed.

Then there is the **Aid for Trade** agenda, a central piece of the development package to help all developing countries improve production and other supply capacities. After the Hong Kong Ministerial, the WTO Director General set up a 13 member task force to come up with recommendations by July end. UNCTAD and the Commonwealth Secretariat convened a meeting in Geneva on March 21st and 22nd, 2006 to discuss the concept and how it should be implemented. What is emerging is that aid for trade should be guided by the principles of additionality, predictability and functionality. It is no panacea for all trade-related problems facing developing countries, it is not a substitute for the development benefits that must arise from the successful Doha negotiations. Its objective should be to maximise development gains from trade for developing countries.

Practically, it means support for building trade-related infrastructure, meeting the implementations costs arising from liberalization and trade facilitation measures such as costs that stem from erosion of trade preferences, loss of tariff revenue and sectoral adjustments, enhancing productive capacities and strengthening competitiveness. Aid for trade should be on a non-debt-creating basis with no new conditionalities and managed with due respect for national policy space and ownership. One has to await the recommendations from the task force for more specific guidelines but the World Bank and other donors are already gearing up to channel monies to aid for trade.