

FINANCING FOR DEVELOPMENT

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"UNACHIEVABLE ACHIEVED"

Has the 'unachievable' been achieved at the *UN Conference on the World Financial and Economic Crisis and Its Impact on Development* June 24-26 at the headquarters of the world organisation? Ask the General Assembly President Miguel d'Escoto Brockmann. His reply is: "Definitely yes".

Is a global organisation like the UN really an appropriate body to solve the economic crisis the world is confronting now? Ask the German Economic Cooperation and Development Minister Heidemarie Wieczorek-Zeul. Her reply is: "I would say, yes."

However, going by reactions of non-governmental organisations and other development policy activists and experts, not everybody would agree with D'Escoto or Wieczorek-Zeul.

The conference was mandated at the Follow-up International Conference on Financing for Development, held in December 2008 in Doha, Qatar. It was purported to assess the worst global economic downturn since the Great Depression.

The aim was to identify emergency and long-term responses to mitigate the impact of the crisis, especially on vulnerable populations, and initiate a needed dialogue on the transformation of the international financial architecture, taking into account the needs and concerns of all member states.

Addressing reporters on the outcome of the conference, D'Escoto said the global conversation begun June 24 had "achieved what many believed to be unachievable". The outcome document was "meant to spark a redesign of the world's financial and economic architecture", he added.

The conference itself was "recognition of the fact of the G-192 (comprising all members of the United Nations) as the proper venue to discuss world financial and economic matters".

D'Escoto pointed out that the global gathering was the second international conference on economic and financial matters held by the United Nations -- the first, in July 1944, had been attended by 44 UN members and had resulted in the creation of the Bretton Woods institutions. He said the fact that 192 Members of the United Nations participated in the June 2009 Conference was a "great gain".

Another substantial gain of this Conference was the creation by the outcome document of a follow-up mechanism, which also aimed to address multiple issues that would help redesign the world financial and economic architecture, he said.

"This is a day to celebrate," said Mr. d'Escoto. But he would not be totally satisfied until there was no one living in extreme poverty and hunger. The conference was just the first step in a long process that would put the world on a new path.

The outcome document should lead to changes in the global financial and economic system and help avert another crisis such as current one, which had devastated the world's poorest people.

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Voices of the South on Globalization is a monthly newsletter intended to inspire a meaningful North-South Dialogue by raising awareness for global interdependences and by offering a forum for voices from the South in the globalization debate. Each edition will present short analyses or commentaries from a Southern perspective on one particular issue of the globalization process.

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UN PLAN DERIDED AS WEAK

When the General Assembly adopted a proposed plan of action June 26 aimed at overcoming the global financial crisis, one of the political surprises was that all 192 member states gave their blessings to the wide range of proposals spelled out in an outcome document.

While the president of the Assembly, Miguel d'Escoto Brockmann, proudly told reporters that "what many believed to be unachievable" had been achieved, several non-governmental organisations and civil society groups have expressed their disappointment over the lack of concrete measures or time-bound commitments to meet specific needs relating to trade, finance, market access, development aid, debt, gender empowerment and sustainable development.

Perhaps one of the farthest reaching proposals was "the urgent need" for further reform of the governance of the Bretton Woods institutions (BWI) -- namely the World Bank and the International Monetary Fund (IMF) - where rich nations exercise disproportionate power based on their shareholdings.

The outcome document calls for "a fair and equitable representation of developing countries, in order to increase the credibility and accountability of these institutions".

However, as Irene Muchemi-Ndiritu of the Global Call to Action Against Poverty (GCAP) noted, the U.S. delegates had indicated that governance structures of the BWI institutions should not be influenced by the United Nations (therefore refusing democratic scrutiny) and that the World Trade Organisation (WTO) should be left to do business as usual.

She said the 27-member European Union (EU) complimented the outcome document as being highly ambitious, "which is cynical indeed when most developing nations feel they have been railroaded into accepting a very weak compromise, with only an ad hoc UN working group to continue the work".

"Civil society is angry that no concrete bailout measures have been agreed on for the most affected: women and the socially marginalised," she added.

The document also says: "We recognise that it is imperative to undertake, as a matter of priority, a comprehensive and fast-tracked reform of the IMF."

Not so fast, says the United States.

Speaking after the adoption of the document, a U.S. delegate said the BWI had "governance structures independent of the United Nations". Any decisions on their reform could only be made by shareholders and their boards of governors. "The United States did not interpret the language in the document as endorsing a formal United Nations role in decision affecting them," he said in a statement.

The statement brought a strong rejoinder from Aldo Caliari, spokesperson for CIDSE, an international alliance

of 16 Catholic development agencies that advocate poverty eradication and social justice. "The U.S. was disingenuous at best in supporting the conference agreement, and then giving a speech saying they oppose most of the important provisions," Caliari said.

That said, the reality is that these explanatory statements don't matter much, he added. "This is not a vote - ironically, at the request of the U.S. The document is a triumph for the UN, against many odds, because it moves toward economic justice and gives the UN a more clear role in global economic policy."

Caliari is of the view that endorsing the restrictions on capital flows and debt standstills for poor countries is not immediate help for the 50 million people expected to lose their jobs and more than 53 million falling into poverty. "But it's progress to a more just world," he declared.

Gigi Francisco, general coordinator of Development Alternatives with Women for a New Era (DAWN), described the outcome document as a text that opens up possibilities but lacks genuine reforms. "The central role of the United Nations, or the G192, in economic governance nearly vanished," she added.

On the upside, Francisco said, the text contains some progressive language related to financial, structural and systemic reforms, including debt relief, respect for policy space, right of countries to adopted counter-cyclical measures, reform of the global reserve system, need for effective regulation and oversight of the financial system and more balance trade. She pointed out that women's rights advocates welcome language that recognise women as facing "greater income insecurity and increased burdens of family care", and that women and children had been the mostly impoverished by the current crisis.

"The biggest disappointment is the lack of any strong commitment to follow up," she added. Furthermore, she said, the consistent reference to a "United Nations Development System" throughout the text represents a disciplining of the UN's role to a limited arena of humanitarian assistance and development cooperation.

Gemma Adaba of the International Trade Union Confederation (ITUC) welcomed the proposal for the creation of an ad hoc open-ended working group to follow up on the proposals in the outcome document. However, an overall enabling environment was required, and that could only be achieved with strong reform of international financial policy and institutions - particularly the BWIs. Such reform was not included in the document. And those institutions continued to oppose "counter-cyclical" spending in developing countries to boost social programmes during the crisis. - Thalif Deen ☑

THE POOREST RAISE THEIR VOICE

Representatives of the world's poorest countries, who joined other UN member states in New York at a conference on the global financial crisis and its impact on the developing world, blasted capitalism and the wealthy Western powers for the crisis. For once they could say they did not cause it though they are the biggest victims.

Cuban Trade Minister Rodrigo Malmierca Diaz told the delegations -- roughly three quarters of the General Assembly's 192 member states participated -- that retired Cuban leader Fidel Castro had foreseen the current crisis nearly three decades ago.

During a conference of nonaligned countries in 1983, Castro said in a speech that "declining foreign trade, hunger and unemployment" would eventually take their toll on the global economy," Malmierca Diaz said.

"The current state of the world economy and its gloomy outlook should lead to a profound reflection in governments and in the most lucid minds of the developed world," the minister said, adding that Castro's analysis was "still valid".

Ralph Gonsalves, prime minister and finance minister of the Caribbean island nation of Saint Vincent and the Grenadines, said the world economy is in "the worst crisis of international capitalism since 1929".

"The chickens have come home to roost as the poor and the working people suffer consequentially," Gonsalves said.

Ecuador's fiery leftist President Rafael Correa agreed. He also joined the chorus of voices calling for the abolition of the International Monetary Fund and World Bank, which Cuba's Diaz said have "impoverished" the developing world.

There were other critical voices. UN Secretary-General Ban Ki-moon chided the world's wealthy nations for renegeing on pledges to boost aid to Africa. "Surely if the world can mobilize more than \$18 trillion to keep the financial sector afloat, it can find more than \$18 billion to keep commitments to Africa," he said.

Grenada's Prime Minister Tillman Thomas called for the restructuring of international financial institutions, improved regulation and better governance, to deal with the challenges of the new global environment.

Addressing reporters ahead of the conference, the Grenadian leader said: "I believe the time has come for the UN to embark upon reform...there is a need for restructuring the global financial system. We need a new financial architecture with a stronger regulatory framework to ensure what happened several months ago does not happen again," Thomas said.

He said the UN had a role in ensuring changes to the World Bank, IMF and other International finance institutions, in order to meet the needs of "our current societies". The prime minister said while the world has changed "drastically over the years", the old financial

rules have remained, thereby placing the developing countries at a disadvantage.

"Therefore reform is the way forward, in trying to meet the needs, especially for developing countries and we expect the developed countries to support the measures that would make life more comfortable for us," he declared.

The Grenadian leader pointed to a 0.5 per cent contraction in his country's economy in 2009, compared to four per cent growth last year, a 25 per cent reduction in earnings from the port; government's main source of income, a 15 to 20 per cent decrease in tourism coupled with a halt to a number of major tourism projects and a 10 to 15 per cent decline in visitor arrivals, as evidence of the "adverse impact" of the global financial crisis on the island's economy.

He also named the continued growth in unemployment and a projected decline in remittances among indicators of the impact of the crisis.

Developing and the least developed countries (LDCs) have been hit hard by the global financial crisis even though it originated in the developed countries, Bangladesh's foreign minister Dr Dipu Moni said.

"The vast majority of the world's poor in the LDCs had extremely limited or little financial capacity and institutional arrangement to cope with the crisis," Moni told the UN conference. Moni led the Bangladesh delegation as the coordinator of the LDCs.

"The crisis is affecting global trading system, global finance, and most importantly development aspirations of the developing countries particularly with regard to their achievement of the Millennium Development Goals," she added.

The foreign minister urged the international community to take immediate, collective and forceful actions at all levels to tackle the ongoing global financial crisis.

She put forward some suggestions on behalf of the LDCs to protect the interests of the LDCs in the face of the financial downswing, and demanded that the LDCs representation in the G-20 Summit be ensured.

Diplomats from developing countries complained that the final draft was disappointing since it was thin on specifics and contained no concrete promises of new aid. Western diplomats said it was imperfect but a vast improvement over D'Escoto's initial version. The final draft was watered down from an earlier version prepared by the UN General Assembly president, considered too radical by Western diplomats. ☑

ABIDE BY AID COMMITMENTS AND GIVE MORE

The outcome document approved during the UN conference underlines the need for increased aid to the developing countries. The document says that even though major actions have already been taken to maintain macro-economic stability and strengthen the international financial system, strong and urgent actions are needed to counter the impact of the crisis on most vulnerable populations and help to restore strong growth and recover lost ground in their progress towards internationally agreed development goals, including the Millennium Development Goals.

"Therefore, an adequate share of any additional resources -- both short-term liquidity and long-term development financing -- will need to be made available to developing countries, especially the least developed countries," it says.

The document points out: "There is an urgent need for all donors to maintain and deliver on their existing bilateral and multilateral official development assistance (ODA) commitments and targets made, inter alia, in the Millennium Declaration, the Monterrey Consensus and the 2005 World Summit Outcome, at the G8 summit in Gleneagles, in the Doha Declaration and at the G20 London Summit."

The outcome document underlines that the fulfilment of all ODA commitments is crucial, including the commitments by many developed countries to achieve the target of 0.7 per cent of gross national product (GNP) for ODA to developing countries by 2015 and to reach the level of at least 0.5 per cent of GNP for ODA by 2010, as well as a target of 0.15 to 0.20 per cent of GNP for ODA to least developed countries.

Taking note that many developed countries have established timetables to reach the level of at least 0.5 per cent for ODA by 2010, the document encourages other donors to work on national timetables, by the end of 2010, to increase aid levels within their respective budget allocation processes towards achieving the established ODA targets.

"The full implementation of these commitments will substantially boost the resources available to push forward the international development agenda and to assist developing countries to mitigate and more effectively respond to the crisis in accordance with their national strategies."

Donors are also asked to review, "and if appropriate increase or redirect, their assistance to developing countries to enable them to mitigate and more effectively respond to the crisis in accordance with their national strategies".

The document also emphasizes the importance for all development actors to continue to pursue economic and governance reforms and other steps to improve the effectiveness of aid based on the fundamental principles of national ownership, alignment, harmonization and managing for results.

The 16-page document encourages developing countries in a position to do so to continue to make concrete efforts to increase and make more effective their South-

South cooperation initiatives, in accordance with the principles of aid effectiveness. "We reiterate our support for South-South cooperation, as well as triangular cooperation, which provide much-needed additional resources for the implementation of development programmes," says the document.

The document pleads for "new voluntary and innovative forms of financing" that can contribute to addressing global problems. With this in view, it encourages the scaling up of development finance from existing sources and the establishment, where appropriate, of new voluntary and innovative sources of financing initiatives. This would provide additional stable sources of development finance. However, these should supplement and not be a substitute for traditional sources of finance and should be disbursed in accordance with the priorities of developing countries and not unduly burden them.

As the majority of the world's developing countries lack fiscal space to implement countercyclical measures to combat the effects of the crisis and spur recovery, many also face foreign exchange shortages, according to the document.

Taking note of the April G20 summit held in London, which committed 1.1 trillion U.S. dollars to revitalize the world economy, the document calls on the G20 to "further consider addressing the financial needs of developing countries, especially low-income countries."

The outcome document also emphasises that there is "consensus on the need for continued reform and modernization of the international financial institutions," as the current crisis has revealed many deficiencies in national and international financial regulation and supervision.

These reforms must reflect current realities and should enhance the perspective and voice and participation of dynamic emerging markets and developing countries, including the poorest," it says. The developing countries that face an acute and severe shortage of foreign reserves because of the fallout of the crisis "should not be denied the right to use legitimate trade defense measures in accordance with relevant WTO provisions," says the document.

The developing countries should also be allowed, as a last resort, to impose temporary capital restrictions and seek to negotiate agreements on temporary debt standstills between debtors and creditors, in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments. ☑

AND NOW THE 'G-192'

Hailing the consensus adoption of the 16-page document as a first step towards putting the world on a path towards solidarity, stability and sustainability, UN General Assembly president D'Escoto said the 'G-192' had now been established as the central forum for the discussion of world financial and economic issues, "a major achievement" in itself. The view was supported by several representatives of the developing and developed countries.

CELSO AMORIM, Minister of External Relations of Brazil, said that it was at the United Nations that countries without a voice in existing financial governance structures could put forth their views. Some were among the world's poorest -- those that were the hardest hit by the economic downturn -- and their interests must be borne in mind in collective actions towards recovery. Noting that last December the depth and scope of turmoil was largely unknown, he said the decision to create a mandate for the UN conference had proved timely. Six months later, despite some positive signs, the picture was still gloomy: hard-earned gains had been lost, while demand had contracted and trade finance for poor countries further dimmed recovery prospects.

A swift conclusion of the Doha Development Agenda would send a strong message against protectionism, he said. Most developing countries depended on agricultural exports and eliminating distorting subsidies by rich countries would have an important impact on developing nations' ability to trade. While developed countries should fulfil their official development assistance (ODA) commitments, those alone would not suffice -- additional measures by multilateral institutions were needed and the resources of both the IMF and the World Bank must be increased. Brazil favoured a new allocation of special drawing rights. Counter-cyclical policies -- targeting social protection and industry bailouts, among other things -- should not be the privilege of the rich; poor countries needed them the most.

The path to full recovery would be long, he said, and the role of the State, alongside private enterprise, must be reappraised during the process. Brazil, while affected by the crisis, was spared its worst effects, due primarily to the fact that it diversified trade partners, invested in the internal market, and promoted infrastructure expansion. Today's challenges called for reforms to global governance, as current structures of the Bretton Woods institutions fell short in terms of legitimacy and effectiveness. Quotas and voting rights must be updated. In closing, he said the Conference was an historic opportunity to change. The balanced outcome document was a testament to the United Nations' vitality.

REINHOLD LOPATKA, State Secretary in the Federal Ministry of Finance of Austria, aligning his remarks with those made on behalf of the European Union, warned that the crisis might not be short-lived and posed serious threats to all countries, but particularly the low-income and least developed countries. Their hard-won achievements in fighting poverty and hunger, reaching sustainable economic growth, and making progress towards the internationally agreed development goals were jeopardised. The recommendations from the Commission of Ex-

perts convened by the President of the General Assembly contained a series of valuable proposals to counter the crisis. He said Austria was convinced that the success of a rapid and effective response to the crisis on a global scale largely depended on the common efforts of donors, developing countries, organizations like the United Nations Development Group and the international financial institutions.

Improving the quality and effectiveness of aid by accelerating the implementation of the Paris Declaration and the Accra Agenda for Action would be decisive. Applying best practices in such effectiveness as part of the crisis response would also help retain public support for ODA, despite the economic downturn. In that context, the capacity of the United Nations to 'Deliver as One' should be strengthened and duplication of effort avoided.

To make the fourth UN Conference on the Least Developed Countries in 2011 a success, the least developed countries and organizations within the United Nations system should work to produce a tangible result. Further, the Financial Transaction Tax was one way to scale up resources for development, and Austria was looking forward to the Secretary-General's report on innovative sources of development finance at the sixty-fourth General Assembly.

PAULA QUINTANA, Minister of Planning of Chile, speaking briefly on behalf of the Union of South American Nations (UNASUR), said that bloc welcomed the convening of the current Conference, which would show the world that the United Nations had an important role to play in issues related to the economic development of its Member States. For that reason, the countries of the Union would actively support the implementation of the Conference's outcome document to ensure that it was an effective tool for a joint and coordinated response to the impact of the global financial and economic crisis on development.

Continuing in her national capacity, she said the timely holding of the Conference was an example of the viability and ability of the United Nations to respond to the major challenges of the day. The crisis had presented the international community with stark challenges and choices. It had revealed weak points that demanded speedy actions to shore up, at both national and multi-lateral levels, to mitigate its impact on development for the developing countries.

At the global level, specific measures would be needed to first stabilize financial markets and restore confidence, and then to bolster commitment and solidarity, especially among those that bore greater responsibility for the crisis. *(Continued on page 6 left column)*

AND NOW THE 'G-192'

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She went on to say that the international community could not forget the origins of the crisis or the conditions under which it had been allowed to occur. "We are paying for the imbalance between the market and Government carried to the extreme," she said, noting that the weaknesses of the financial regulations system coupled with irresponsible behaviour and a lack of transparency had let to excessive risk-taking.

That had precipitated a serious financial contraction that had led the world to where it was today. Financial stability was a global good requiring broad leadership capable of creating a new global financial architecture. In that regard, she said the United Nations -- 'the G-192' -- should spearhead such a reform process and ensure that the new financial architecture was equitably redesigned and its decisions implemented.

OUMAR DAOU (Mali), speaking on behalf of the least developed and landlocked countries, said a comprehensive solution to the crisis that put an end to the waste of limited natural resources, reformed the global financial architecture and laid the basis for a sustained recovery was required. Useful proposals had already been made, but the group of landlocked countries had special circumstances that made them especially vulnerable to outside pressures. Indeed, with 12.5 per cent of global land area and 4 per cent of the world population, they had a gross domestic product (GDP) equivalent to only 0.3 per cent of global GDP, and the crisis was already reducing even that low level. They received only 0.34 per cent of foreign direct investment (FDI), while 21 of them had a foreign trade deficit. Moreover, growth rates had declined by a range of 6 to 13 per cent.

Beyond those dire circumstances, he stressed that the least developed and landlocked countries also faced challenges owing to their remote location from international markets. As such, they were the most affected by the downturn in global trade, which was not easily remedied given their tight local markets. Specific attention should, therefore, be paid to those particular countries, especially to improve transportation infrastructure, obtaining special treatment for their goods, and mobilizing private funding and investment. Today, more than ever, support from donors and other financial institutions remained critical to fulfilling the Almaty Programme of Action. He urged the Group of 20 to implement their recovery plans quickly. Further, a concise declaration that reflected the will to act and establish a true global partnership was needed from the Conference.

HILARIO G. DAVIDE, JR. (Philippines) said that speaking of the world economic crisis brought the international community to contemplate other crises, including the ecological crisis, which was euphemistically called the climate change, the food and the energy crisis. Indeed, the financial crisis was the inevitable result of some other catastrophes, which together indicated a "serialized retaliation by an aggrieved Mother Earth". ☑

UNACHIEVABLE ACHIEVED?

(Continued from page 1)

To a question about an attempt by some countries to undermine the summit, D'Escoto said their efforts had not been effective.

The conference had taken place even though some countries had sought to narrow its scope and hold a donor's meeting, and not a summit that would envelope the global economic architecture.

He told reporters he was satisfied with the Conference, because it demonstrated that the G-192 was an adequate venue for this type of decision-making; it addressed the issue of restructuring; and it discussed a follow-up mechanism. "It makes this a process," he added.

Paul Oquist, a senior adviser in the Office of the General Assembly President, and the General Coordinator of the Conference, said the document laid out two processes.

One was the study of international organizations, and the other concerned what was happening on the ground. He cited the creation of regional mechanisms in Asia and South America aimed at consolidating commerce and financing global trade.

When a correspondent noted that the United States had said in its statement that the UN was not the proper forum for this type of discussion, D'Escoto said he had not been deterred. "This is about building for the future."

The view appears to be shared by Wieczorek-Zeul. The final document was the beginning of a long-term reform process of global decision-making structure, which was overdue to reflect the realities of the 21st century, she said in a statement circulated by her ministry.

"The conference and the final document will strengthen the global capacity to act and have the poorest developing countries a voice," she said. The outcome document includea many proposals of Stiglitz Commission, of which she is a member.

This applies for example to the need to strengthen the UN in economic matters. Against the backdrop of the commission's recommendation, it has been decided to establish an Intergovernmental Panel on Systemic Risks at the UN.

Like the Intergovernmental Panel on Climate Change (IPCC), the proposed panel would operate as a consultative body on issues of economic and financial policy, helping to identify and prevent future crises.

The Commission is headed by Nobel Laureate Professor Joseph E. Stiglitz, Columbia University. He favours a diversity of institutions. In fact, a 'Bank of the South' could be a very important part of the new architecture. He is obviously referring to calls by some developing nations for an alternative to existing global institutions, such as the World Bank and International Monetary Fund.

- Ramesh Jaura ☑