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**United Nations**

## **Background**

Though studies, debates and agreements on development and its financing have been present in

limitations, and plan of action of the Monterrey Consensus, in addition to evaluating its direct and indirect effects on women.

This document is divided into three sections. The first section contains a review of the Monterrey Consensus from a gender perspective that underlines the negative effects on women of many of the recommendations, and points out the omissions that hinder gender equality and the empowerment of women in the financing for development process. The second section looks at two of the follow-up documents to the Monterrey Consensus, in which the absence of a gender perspective in the implementation of policies and commitments is notable. The third and final section sets out the areas in which UN-INSTRAW wishes to stimulate dialogue among stakeholders (government, international institutions, and civil society organizations) to ensure that gender becomes a cross-cutting theme in debates, policy formulation and follow-up related to financing for development.

### **The Monterrey Consensus**

The International Conference on Financing for Development (ICFfD), convened by the United Nations (UNO), the International Monetary Fund (IMF), the World Bank (WB) and the World Trade Organization (WTO) took place in Monterrey, Mexico, on 18-22 March 2002. The main objective of the event was to bring together the mechanisms to guarantee the financial resources required to meet the development goals assumed by national governments through different international agreements on development, including the 2000 Millennium Development Goals (MDGs).

The preparatory process for the Conference included the participation not only of representatives from governments and international institutions, but also from many civil society organizations (CSOs) and from the business sector. Initially, the expectations raised by such pluralistic participation were very high, as there seemed to be an opportunity to agree on and define innovative mechanisms for the pursuit of greater equity and cooperation among states themselves and between states and international organizations.

However, by the end of the process it became clear that the expectations of numerous states and CSOs would not be met. The approved version of the Final Declaration was limited in scope, did not re-invent the economic and financial paradigms that structure the definition and search for solutions in financing for development, and did not define measures to commit developed and medium-and less-developed countries in an equivalent manner

The Monterrey Consensus suffers from omissions and ambiguities that erode its capacity to respond to those urgent needs which brought it to life and which can be verified through its six main areas:

#### **1. Mobilization of Domestic Financial Resources for Development**

The Monterrey Consensus emphasizes the

favourable climate for private and foreign investment, erode the tax base and place the burden of raising financial resources needed by the State upon citizens.

From a gender perspective, the first problem that arises is the cutback of basic services that governments must implement in order to comply

countries benefiting from FDI, especially for women that work in EPZs. However, standards such as minimum wages or the right to strike are suppressed, debilitating the bargaining power of female workers. Likewise, temporary contracts or subcontracts deprive women of labour rights such as access to healthcare, creating an overall climate of instability and unpredictability. Similarly, recent studies show that the effects of knowledge and technology transfers are also very limited, as women tend to be excluded from those areas that offer the potential for upgrading skills.

### 3. International Trade as an Engine for Development

In terms of trade, the Monterrey Consensus starts from the premise that an “...open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can substantially stimulate development worldwide, benefiting countries at all stages of development” followed by the “commitment to trade liberalization and to ensure that trade plays its full part in promoting economic growth, employment and development for all” (paragraph 26). Similarly, the document includes the acceptance by the signatories of the development objectives stipulated in the outcome document of the Doha Round.

Nevertheless, the most evident objection to this approach is the lack of commitment from developed countries to the liberalization of their trade regimes, especially in the areas of agriculture and textiles. The pr



should be characterized by “a greater transparency and the effective partic

Although the joint report identified the expanding gap between the MDGs and the advances made in their achievement - underlining the existence of indicators that point towards the possibility of meeting the MDGs - the document presents recommendations based on the principle of shared responsibility, suggesting priorities for action in both developed and developing countries. While this principle is valid and accepted by the majority of states, there are nevertheless, as was discussed above, a considerable number of developed countries that are far from fulfilling their commitments for development support, especially in terms of reducing tariff barriers and subsidies to agriculture, and reaching the goal of 0.7% of GNP their contribution to Official Development



On this point, the report underlines the importance of establishing more effective programmes in areas such as education, health and social assistance to the poorest sectors, that will overcome obstacles related to governance and motivate the participation of communities in these sectors. Nevertheless, the report recognizes that the quantities invested in programmes of this kind are alarmingly lower than those agreed upon in international commitments. It mentions, for example, that only 6 million of the US\$170 million initially committed to the programme “Education for All-Fast Track Initiative (EFA-FTI) have been disbursed. Given this situation, the report ends by suggesting that “swifter action is needed on the part of both donors in providing funds and recipients in addressing implementation constraints”.

Thus far we have reviewed the recommendations addressed to developing countries. We will now turn to addressed to the developed countries.

### 1. Sustaining Stable and Strong Growth in the Global Economy

On this point, the report emphasizes the need to rapidly translate the Monterrey Consensus into concrete actions that correspond to developed country advances in two main areas: trade and cooperation. Notwithstanding, the report also underlines the importance of implementing measures to guarantee the sustainable growth of developing countries. The control of the public deficit in the United States, and the implementation of structural reforms, specifically in employment and social security systems, in Europe are necessary measures to guarantee the stable and strong growth that the global economy requires. Similarly, the document suggests the need to reform the international financial architecture in order to make capital flows more stable and thus reduce the likelihood and severity of financial crises worldwide.

### 2. Ensuring a Successful, Pro-development, and Timely Outcome to the Doha Round

The report here is conclusive: “High-income countries, given their weight in the system, must lead by example”. In this regard, the document identifies measures that developed countries must put in practice such as: “complete elimination of tariffs on manufactures products; complete elimination of agricultural export subsidies and complete decoupling of domestic agricultural subsidies from production, and reduction of agricultural tariffs to, say, no more than 10 percent;...and (establish) commitments to ensure free cross-border trade in services delivered over telecommunications links, complemented by actions to liberalize the temporary movement of workers”. Similarly, the report notes the need of many developing countries for adequate aid in order to support the costs of the adjustments imposed by economic liberalization policies.

### 3. Providing More and Better Aid

The report stresses that Official Development Assistance (ODA) should be increased, and its effectiveness strengthened through a more adequate allocation to developing countries. In this sense, and despite additional aid committed post-Monterrey, at least US\$30 billion per year are required in investments in order to attain the MDGs. In some cases, countries such as Denmark devote more than the 0.7% to ODA. Nevertheless, the salient point is that it is fundamental to assign more aid to meet the incremthe weight in the syste(t;...a)4.9(nd (estab)eiev toing countries-0.4(ntee2)

countries in an attempt to promote their sustainable debt management. Moreover, the report underlines the need to continue reducing the burden of external debt servicing for developing countries, particularly those that are heavily indebted. Lastly, the report calls on developed countries to provide support to developing countries for the improvement of environmental practices.

#### 4. Improving Policy Coherence for Development

The report explicitly points out the need for all actions related to meeting the MDGs “to be part of a coherent overall approach to supporting development”, and mentions that the results of a programme can often be limited or even nullified due to policies and programmes implemented in opposite directions, with one canceling out the advances of the other. It is for this reason that the report points out that “putting in place processes that enable an integrated assessment of the coherence of policies that affect development –trade, aid, foreign investment and other capital flows, migration, knowledge and technology transfer, environment—would help avoid such outcomes”.

As previously mentioned, this section also refers to the summary presented by the President of the 58th General Assembly of the United Nations, Julian Robert Hunte, at the "High-level Dialogue on Financing for Development" (November 2003), which brought together representatives from 190 governments, the World Bank and the International Monetary Fund, as well as civil society organizations, and the business and academic sectors.

The summary lists various reservations and proposals made by government representatives about the need to redouble efforts in order to stimulate financing for development processes. In general, the document highlights two main concerns: 1) the need to establish a more precise monitoring mechanism for the implementation of the Monterrey commitments; and 2) the challenge of creating the political will required to commit to the objectives of the Monterrey Consensus.

With regard to the specific topics related to financing for development, the summary emphasizes the following:

##### 1. Mobilizing Domestic Resources

There is consensus among the developing countries that they are primarily responsible for implementing the necessary actions to guarantee development. For this reason the summary stresses the importance of mobilizing domestic resources for financing for development. Nevertheless, the need for foreign aid to support public investments in areas such as health and education is equally emphasized given the scarcity of resources faced by governments, especially those of the least developed countries, landlocked developing countries, and small island developing states.

##### 2. Private Capital Flows

The summary underlines the importance of private capital in achieving development goals indicating that clear institutional frameworks must protect these flows from the political risks linked to investing in certain countries. Similarly, the significant role that international financial institutions can play in the promotion of foreign investment in developed countries is also emphasized. In this regard, participants discussed the benefits of improving information flows to identify investment opportunities, as well as the possibility of intensifying investment projects with private-public partnerships. Lastly, a call was made to developed countries to carry out

better policy coordination with the aim of eliminating macroeconomic imbalances that cause volatility in exchange rates and capital flows, thus allowing capital flows to be channeled to developing countries in a stable and sustained manner.

### 3. International Trade

In line with what was established in Monterrey, the document underlines the need for developed countries to reduce their tariff barriers in textiles and agriculture and eliminate agricultural subsidies. Similarly, a call was made for a real commitment towards developing trade negotiations, as well as resuming the Doha Round commitments, in light of the disappointing outcome of the Cancun Conference. A call was also made to make WTO procedures more transparent and establish closer institutional links between the WTO and United Nations.

### 4. ODA and Other Resources

The positive outcomes from increases in ODA observed in recent years were acknowledged in the summary. However, the document reiterates the significance of developed countries' meeting the goal of allocating 0.7% of GNP to ODA. Without this, achieving the MDGs becomes an impossible task. Moreover, it is necessary to favour development aid over other types of government donations, such as military aid. Similarly, given the unfeasibility of meeting development objectives with the available resources, a call was made to seek alternative forms of financing. Lastly, a special call for the recognition of differentiated and special aid was made by the least developed countries, landlocked developing countries, and small island developing states.

### 5. External Debt

Participants coincided in recognizing debt un-sustainability as an impediment to the attainment of the MDGs. It was mentioned that the initiative for heavily indebted poor countries (HIPC) operates too slowly in alleviating the debt burden of the countries benefiting from it - for which creditor countries stated their disposition to evaluate and improve the HIPC initiative, should it be necessary. Similarly, it was proposed that the most indebted countries receive international financial aid in the form of grants, as opposed to loans, and that a greater number of countries should benefit from the HIPC initiative. Lastly, it was recognized that the indebtedness of middle-income countries demands the development of an adequate sovereign debt restructuring mechanism.

### 6. Systemic and Institutional Issues

The majority of Monterrey participants believe that the greatest challenges reside in "improving the international financial architecture, including matters related to symmetric surveillance, liquidity and crises prevention, and enhancing overall coherence". Similarly, the need to increasingly involve the United Nations in providing for more coherence and consistency in economic, financial, trading, social and environmental policies at an international level was underlined. The same was also said about increasing cooperation between the United Nations and financial and trading organizations such as the World Bank, the IMF and the WTO. Lastly, different representatives from governments and civil society organizations made a call to increase the participation of developing countries in the decision-making processes, particularly of the international financial institutions.



Carry out case studies to evaluate economic