



## Experts' Meeting on the Financing for Development Process

Geneva, 23 – 24 May 2008

### *A Concept Note*

The Doha Review Conference on Financing for Development will take place in a world economic and financial environment quite different from the time of the Monterrey meeting in March 2002. The world financial markets are turbulent both on account of the unsustainable global macroeconomic imbalances and on account of reckless lending and borrowing in the United States and other industrial countries.

Policies to combat the current financial crisis are being fashioned on an ad hoc basis at the national level, with little international coordination. There is a crisis of confidence in the International Monetary Fund, which had assumed a key responsibility in managing the financial crises emanating in the developing world in the past. How it discharged that responsibility in the Asian and Argentinean financial crises is a controversial matter, but the accumulation of large foreign exchange reserves on the part of some developing countries as “self-insurance” and reluctance of others to approach it for help are indicative of a lack of confidence in the institution. The World Bank just survived a serious crisis of governance a year ago and its net resource transfers to the developing world have been for some time negative.

At the same time, thanks to their large foreign exchange holdings and very rapid economic expansion, some developing countries – notably, China and India, but also several others – have emerged as key actors in the world financial and commodity markets. The dependency on the industrial economies has diminished as trade and capital flows within the developing world have increased rapidly. There is a widespread belief – though not firmly grounded – that the growth in the developing world has become “decoupled” from the state of the industrial economies.

The consequences of these developments are that the stakes of developing countries in the outcome of the Doha meeting are even higher than at the time of the Monterrey meeting. With their generally booming economies, high commodity prices, access to international capital, they have a great deal to lose if the current economic and financial crisis is not brought under control and the world economy enters a period of deep slump, as many observers are predicting.

The poorest countries, which have just begun to see acceleration in growth and poverty reduction, are most at risk including from high energy and food prices. These countries will need significant increases in aid financing to help them weather the crisis, sustain progress towards the millennium development goals and cope with the looming challenge of climate change.

The Doha meeting provides the developing world an important opportunity to make its concerns heard and to wrest a bigger role in the design of measures to deal with the crisis. To meet this challenge, developing countries need to take full advantage of the preparatory process and develop common positions on key issues.

South Centre is proposing a programme of activities for the G-77 in support of the preparatory process leading to the Doha meeting. The aim is to provide support to the G-77 in forging a shared developing country perspective on the main FfD issues and in effectively contributing to the debate on what the Doha Conference should strive to achieve.

Towards that end, the South Centre in collaboration with the G-77 in New York, G-24, and UNCTAD, is organising first a meeting of the experts on FfD issues on 23 – 24 May in Geneva, to be followed by a second meeting for the G-77 constituency in New York in late August whose main focus would be the draft outcome document, which is expected to be available by that time.

The May meeting is being held at a time when all the review sessions of individual chapters of the Monterrey Consensus will have taken place. It would provide an opportunity for experts, with a developing country perspective, to take stock of the debated issues and arrive at a common view on what the South's goals and aims should be for the Doha meeting. The South Centre proposes to prepare a report on the FfD process in the light of this discussion, but will not seek to arrive at a consensus document. The report is expected to be ready for distribution by no later than 10 June 2008.

### ***The Format of the Meeting***

The programme of the meeting has been arranged so that inter-linkages between the different chapters of the Monterrey Consensus can be brought out and the discussion centred on them. The programme therefore breaks away from the order of chapters in the Monterrey Consensus and is laid out as follows:

- External resources for development:
  - (i) Foreign aid, concessional finance, and the aid architecture
  - (ii) Private capital flows, financial crises and the international financial architecture
- Trade, finance, and development inter-linkages: the missing elements in the Monterrey Consensus
- Global economic governance, the voice issue, and the UN's role
- Policy framework for domestic resource mobilisation
- Institutional requirements to avoid/cope with future external debt crises