Working Party on Financial Aspects of Development Assistance

THE UNITED NATIONS HIGH-LEVEL INTERGOVERNMENTAL EVENT ON FINANCING FOR DEVELOPMENT

This document is submitted for CONSIDERATION at the meeting to be held on 12-13 October 2000

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THE UNITED NATIONS HIGH-LEVEL INTERGOVERNMENTAL EVENT
ON FINANCING FOR DEVELOPMENT

I. Purpose of this note

1. The United Nations is currently preparing for a High-Level Inter-governmental Event on Financing for Development (FFD), which is presently scheduled to take place in 2001. This Event has already been the subject of discussion in the DAC, for example at the March 2000 DAC/DEV seminar on “Development Finance -- the Way Forward” [see DCD/DAC(00)13], the May 2000 HLM and the DAC meeting on 12 September 2000.

2. The purpose of the present note is to bring Members up to date on the preparations for this Event, including those underway in the Organisation in response to the request from the UN for contributions from the OECD. The note is made available to Members at the present meeting in order to provide an opportunity for any initial reactions they may have, including the contribution the DAC might make to the broader OECD preparations. This discussion will also contribute to preparations for addressing this matter at the December 2000 SLM.

3. The note is structured as follows:
   - Section II provides background to the UN Event itself; with
   - Section III setting out details of the agenda of the UN Working Group on Increasing International Financial Co-operation, and Debt (which addresses, i.a. development co-operation and ODA);
   - Section IV outlines preparations underway in the OECD to contribute to the Event;
   - Section V sets out DAC Members’ views on the Event and asks Members to identify the messages and perspectives they would like to bring into it.

Annex 1 provides information on the agendas of the five UN Working Groups involved in the preparations for the Event.

II. Background to the FFD Event

4. The Event aims to consider national, international and systemic issues relating to financing for development in a holistic manner in the context of globalisation and interdependence. To prepare for it, the General Assembly of the UN has created an Intergovernmental Preparatory Commission and has elected a 15-member Bureau. In addition, the Secretary-General of the UN has established within the department of Economic and Social Affairs a Co-ordinating Secretariat. The Bureau and the Secretariat are seeking the co-operation of the World Bank, IMF, WTO, UNCTAD and other international organisations including the OECD. The forms of co-operation sought include participation in the Preparatory Committee, provision of research and policy advice, secondment of staff and raising issues for discussion in relevant Committees.
5. The provisional agenda for the Event is broad, and consists of five themes:

- Mobilising domestic financial resources for development;
- Mobilising international resources for development;
- Trade;
- Systemic issues.

6. Based on this provisional agenda, Working Groups have been established to address each of the five main themes. These groups are tasked with developing concrete, action-oriented policy proposals (recommendations) on the different issues that fall within the agenda, after which they will be included in the Secretary-General’s single policy report. The Working Groups are expected to formulate their recommendations by the end of this year, after which preparations will move into the intergovernmental process.

7. The General Assembly and Secretary-General of the UN stress that both the preparatory process and the Event itself should involve all stakeholders in an innovative dialogue on the issues. These stakeholders include NGOs and other members of civil society. The need to engage effectively the business community is especially recognised. Interested NGOs and private sector entities are able to submit their views online through the website of the Event.1

III. The UN working group on increasing international financial co-operation and debt

8. This section focuses specifically on the agenda for this particular WG, where ODA is obviously a central element. However, it is important to follow the agendas of the other WGs, not only because of the need to take a systemic view of the whole issue of financing for development, but because the other WG agendas may also have implications for proposals concerning the volume, roles and uses of ODA. With this in mind, brief details of the agendas of the five WGs are provided in Annex 1.

9. The WG on “Increasing international financial co-operation and debt” (Convenor --Enrique Rueda Sabater, World Bank) is (like the other WGs) charged with producing “bold and innovative” recommendations, which should be grounded on pragmatic and realistic considerations. This WG is seen as having a crucial role to play in finding the means to meet the International Development Goals. It has been given a very broad agenda (see below) and high expectations.

10. The main components of the WG’s agenda are as follows:

- **External financing** for national development programmes. This covers issues related to the quality and quantity of aid, including allocation and eligibility mechanisms, impact on poverty and other measures of aid effectiveness, and aid management, co-ordination and other means of reducing transaction costs. Attention will also be given to other sources of assistance to developing countries that are not counted as aid (e.g. from foundations).

- **Global public goods** -- production and financing issues, as well as local dimensions and global impacts. This item will also address assistance for natural disasters and emergencies.

• **Innovative sources of financing** -- additional means of mobilising resources to expand and complement ODA.

• **Tax co-operation** -- measures for international co-operation on national taxes, including the lack of an international forum or mechanism for this purpose.

• **Debt** -- HIPC, additional relief measures complementary to HIPC, preventative measures to avoid accumulation of unsustainable debt, and capacity building for debt management.

Special assistance needs of certain categories of countries will be considered under each of these sub-topics as appropriate.

11. A number of the above issues will be addressed through workshops, in preparation for a November meeting of the full WG, which is then expected to draft Recommendations to be included in the UN Secretary-General’s policy report.

IV. **OECD preparations and inputs**

12. The Secretary-General of OECD has informed the UN of the Secretariat’s intention to assist the preparatory process and the Event with information on trends and OECD experience and policy guidance, and to participate in expert groups as appropriate. It is very important that the OECD be involved in the preparations for the event to ensure that major ideas and instruments developed throughout the OECD on key elements of the evolving FFD agenda contribute to positive and helpful outcomes that reinforce the directions emerging from OECD work.

13. The overall co-ordination of OECD inputs for the Event is the responsibility of Deputy Secretary-General Shelton-Colby, with Mr. Carey (DCD) as the central working level contact with the UN staff. To prepare and co-ordinate OECD inputs, an informal, inter-Secretariat contact group has been set up (DCD, DAF, ECH, DEV, PUMA, ENV, SGE).

14. Since the FFD agenda is very broad, OECD inputs should be selective, drawing on existing work and documents to feed into the treatment of issues where the OECD is a major international provider of data, policy analysis and advice on rules of the game. It will be important to make these inputs at the formative stage of preparations (i.e. particularly over the remainder of this year), when the various UN working groups are developing approaches to the main themes of the Event, and before matters move to the intergovernmental process. Discussions held so far in the contact group on the drafts beginning to emerge from the various UN working groups confirm the need and importance of bringing in OECD perspectives at the present stage of preparations.

V. **DAC Members’ perspectives**

15. Discussions in the DAC about the Event show that Members see it as an important opportunity to develop shared views across the range of stakeholders on financing for development and to examine the prospects and means for mobilising the development finance needed to support the international development goals. Doing so depends increasingly on mobilising domestic resources and attracting development-oriented private external flows. A major role of ODA is to act in catalytic ways to help mobilise such resources and to strengthen the policies, institutions and capacities required for this.

16. Some of the main "messages" from DAC discussions on the Event are set out below:
• The Event should be an opportunity to promote a systemic view of and integrated approach to development finance, increasing awareness of the linkages between public and private finance, domestic and external resources, financial systems and formal and informal financial intermediation.

• Such an approach would help to highlight the fundamental issue of the governance of development finance (from all sources) and the importance of capacity building in partner countries.

• The international development goals, now a widely-shared reference point, and the new country-level development frameworks centred on local participation and monitoring should provide a strong foundation for a broad understanding of ODA.

• Perspectives on ODA should not only focus on volume and allocation issues (this will be unavoidable in light of the growing gap in the trends between donors’ GNPs and their ODA volumes). They should also address issues concerning the effectiveness of aid and its implications for volume, allocation and eligibility. In this way, it might be possible to promote a more shared understanding of the parameters, rules of the game and objectives of ODA. It will be important that DAC Members are able themselves to outline and promote such a shared, forward-looking understanding.

17. In summary, Members see the Event as holding the promise of forging a new understanding and broader ownership of the agenda for development finance. With this in mind, Members are invited to outline the main messages and perspectives they would like to bring into the present, formative stage of the preparations for the Event.
ANNEX 1

OUTLINE OF THE AGENDAS OF THE FIVE UN FFD WORKING GROUPS

a) Mobilising domestic financial resources for development (Convenor -- Cristian Ossa, UN/DESA)
   - Governance issues (including rule of law, legal systems, accountability, transparency, property rights, corporate governance);
   - Macroeconomic policies (including fiscal, monetary, exchange rate; external vulnerability; private savings, capital flight);
   - Strengthening public finances (including equitable tax systems and their administration, and public expenditure allocation for infrastructure, social development and safety nets);
   - Strengthening the financial sector (including regulatory and supervisory frameworks, access to credit, and stock and bond market development);

b) Mobilising international resources for development (Convenor -- Karl Sauvant, UNCTAD)
   - Facilitating private flows, especially longer term flows;
   - Expanding FDI to a much larger number of countries;
   - Enhancing the development impact of investments by transnational corporations in developing countries;
   - Improving measures in destination and source countries to reduce risks of excessive financial volatility;
   - Capacity building and technical co-operation.

c) Increasing international financial co-operation and debt (Convenor -- Enrique Rueda Sabater, World Bank)
   - External financing for national development programmes. This covers issues related to the quality and quantity of aid, including allocation and eligibility mechanisms, impact on poverty and other measures of aid effectiveness, and aid management, co-ordination and other means of reducing transaction costs. Attention will also be given to other sources of assistance to developing countries that are not counted as aid (e.g. from foundations).
   - Global public goods-- production and financing issues, as well as local dimensions and global impacts. This item will also address assistance for natural disasters and emergencies.
   - Innovative sources of financing -- additional means of mobilising resources to expand and complement ODA.
• Tax co-operation -- measures for international co-operation on national taxes, including the lack of an international forum or mechanism for this purpose.

• Debt -- HIPC, additional relief measures complementary to HIPC, preventative measures to avoid accumulation of unsustainable debt, and capacity building for debt management.

d) Trade  *(Convenor -- John Cuddy, UNCTAD)*

• Trade policies and their impact on poverty;

• Compensatory finance and price risk management;

• Market access;

• Vulnerability of countries to global trade agreements and trade practices;

• Harmonisation between macroeconomic policies and trade issues and impact on poverty;

• Technical assistance and capacity building.

e) Systemic issues *(Convenor -- Barry Herman, UN/DESA)*

• Strengthening the international financial architecture (domestic financial resilience, safety nets and their financing, conditionality, liquidity issues, private sector involvement, global macroeconomic co-ordination, global financial regulation and supervision, and sub-regional arrangements);

• Improving global governance and coherence of the international monetary, trade and financial systems (principles, including transparency and accountability; implementation issues, including subsidiarity and strengthening regional institutions); and broadening participation in decision making and norm setting.