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Plenary Roundtable Three:
Innovative Measures for Financing ISDL
Montreal, 13 June 2002

(Financing for sustainable development requires additional resources)

1) Financing for sustainable development has been a central issue in the United Nations since development became part of the agenda in the international economic politics.

2) Its importance stems from the fact that few developing countries have the capacity to collect the necessary resources to finance their own development. This became even more evident and a pressing reality when discussion on development were linked to the environment.

3) The implementation of the new commitments in the environmental field required additional financial resources and increased the developing countries concern regarding their capacity to generate and channel the necessary financial means to implement their new commitments in the environmental field, such as the Rio commitments.

(Two major sources to generate financial resources: ODA and FDI)

4) There are two major sources of financial resources: ODA - developed thirty years ago — and FDI.

5) In recent years there has been increasing differentiation among developing countries with regard to the level and pattern of development and their financial needs, priorities and capacities.

6) However, it is well known that there is no common international platform on financing for development, other than the recently agreed Monterrey Consensus.

7) The need for a sustainable support for the goals of higher rates of economic growth and poverty eradication in developing countries contrasts with the fact that the bulk of the world s savings and investment flows take place among the developed countries themselves.

8) ODA targets have not been met, inflows of private capital to the developing world has been concentrated in a small number of the most active economies or emerging markets, and FDI flows are mostly represented by merger and acquisition activities, rather than fresh capital, and intra-firm trade. In general terms, we can therefore state that capital flows to developing countries are insufficient and that there is a lack of a global coordinating policy to address these shortcomings.

9) Another area of concern for developing countries is the one related to balance of payments problems and to the need for an adequate and prompt support from the international community. Recent events in Asia and Latin America highlight the gravity of the situation and the apparent lack of an appropriate reaction vis a vis potential financial threats and crisis in the developing world.

(Trade)

10) Another central aspect relevant to capital formation in the developing countries is trade. Trade is the main source of financing for development at the domestic level.

However, as everyone knows, market access to the developed country markets continues to be restricted by tariff barriers, no-tariff barriers and subsidies, especially in product areas of interest to the developing countries. The lack of market access of developing country products and services to the developed country markets is an issue that remains to be resolved.

(Reform of the financial architecture)

11) The ultimate reform of the aging international financial institutions to create a new architecture for financing sustainable development is another major issue.

(External debt)

12) Another hurdle that needs to be addressed on the road to sustainable development is the issue of external debt and external debt sustainability. Debt service and repayments are one of the major causes of capital outflows, greatly infringing upon the ability of governments to finance development in indebted countries.

(Monterrey Consensus)

13) The last session of the Preparatory Committee for the Conference on Financing for Development represented a major breakthrough in addressing these problems. The document, agreed by consensus much in advance of the Monterrey Conference, created what we have been calling the Spirit of Monterrey , which can best be described as a new commitment by the whole international community — governments, civil society, including NGOs and the business sector, and the whole UN system, the UN and all its organs, as well as the IFIs and the WTO — to make progress towards reaching the internationally agreed development goals and other targets.

14) Monterrey is unique because for the first time an agreement has been reached, adopting measures related to financial at all levels, the domestic, regional and international level.

15) A number of relevant new commitments were made in Monterrey:

The Spirit of Monterrey was almost completely missing in the recent preparatory negotiations for the Summit on Sustainable Development.