Reviewing the Monterrey Consensus on Financing for Development

By

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I. Introduction:

The International conference on Financing for Development (FIFD) held in Monterrey, Mexico from March 18 – 22, 2002, was the first major international conference that brought together Heads of state and government to brainstorm on the way forward on achieving the Millennium Development Goals (MDGs), through financing for development. Financing for development is all about the eight goals of the MDGs endorsed by the 192 member states of the UN during the Millennium Summit in September 2000. The Monterrey Consensus which is a 23 page document is divided into three parts. These include: Confronting the challenges of financing for development: A global response; Leading actions for the consensus; and Staying engaged to achieve the consensus.

II. Confronting the challenges of financing for development: A global response:

At the end of the Monterrey conference, Heads of state and government resolved to address the challenges of financing for development around the world, particularly in developing countries.

- The goal of the consensus is to eradicate poverty, sustained economic growth and promote sustainable development as prerequisite to full inclusive and equitable global growth
- The consensus noted current shortfalls in resources required to achieve the internationally agreed goals, including those in the Millennium Declaration.
- The consensus advocated for mobilizing and increasing the effective use of financial resources and achieving national and international economic conditions needed to fulfil internationally agreed development goals to eliminate poverty, improve social conditions and raise living standards, and protect our environment as the first step of ensuring that the 21st Century becomes the Century for development for all.
- In order to achieve these goals the consensus advocated for new partnership between developed and developing countries.
- The consensus advocated to mobilize domestic resources, attract international flows, promote international financial and technical cooperation for development, sustainable debt financing and external debt relief and enhanced the coherence and consistency of the international monetary, financial and trading systems.
- According to the consensus, each country has the responsibility for its own economic and social development, and the role of national policies and development strategies.

- The consensus supported development frameworks initiated at the regional level, such as the New Partnership for Africa's Development (NEPAD).
- The consensus advocated the need for globalization to be fully inclusive and equitable, and there is a strong need for policies, implemented with full and the effective participation of developing countries and countries with economies in transition to help them respond effectively to those challenges and opportunities.
- The consensus recognized that peace and development are mutually reinforcing. Upholding the charter of the UN and building upon the values of the Millennium Declaration, the Heads of state and government committed themselves to promote national and global economic systems based on principles of justices, equity, democracy, participation, transparency, accountability and inclusion.
- The Heads of state and government committed themselves to sound policies, good governance at all levels and the rule of law.

III. Leading Actions for the Consensus:

A. Mobilzing domestic financial resources for development.

- There is need for a critical challenge to ensure the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment and increasing human capacity. A crucial task is to enhance the efficacy, coherence and consistency of macroeconomic policies.
- Enabling domestic environment is vital for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector and attracting and making effective use of international investment and assistance
- Good governance is key to sustainable development. Freedom, peace and security, domestic stability, respect for human rights, including the right to development, and the rule of law, gender equality, market oriented policies and an overall commitment to just and democratic societies are also essential and mutually reinforcing.
- Fighting corruption at all levels is a priority
- An effective, efficient, transparent and accountable system for mobilizing public resources and managing their use by government is essential.
- Investment in basic economic and social infrastructure, social services and social protection, including education, health, shelter and social security programmes, which take special care of children and older persons and are gender sensitive and fully inclusive of rural sector and all disadvantaged communities, are vital for enabling people, especially people living in poverty to better adapt to and benefit from changing economic conditions and opportunities.
- Recognized the need to strengthen and develop domestic financial sector by encouraging orderly development of capital markets through sound banking systems including the insurance sector and debt and equity markets that encourage and channel savings and foster productive investments.
- Microfinance and credit for micro small and medium sized enterprises, including rural areas, particularly for women, as well as national

savings, schemes, are important for enhancing the social and economic impact of the financial sector.

- It is critical to reinforce national efforts in capacity building in developing countries and countries with economies in transition in such areas as institutional infrastructure, human resource development, public finance, mortgage finance, financial regulation and supervision, basic education in particular, public administration, social and gender budget policies, early warning and crisis prevention and debt management. In that regard, particular attention is needed to address the special needs of Africa, the least developed countries, small island developing states and landlocked developing countries.
- The consensus reaffirmed the commitment to the programme of Action for Least Developed countries for the decade 2001 – 2010, adopted by the 3rd UN Conference on the Least Developed countries held in Brussels from 14-20 May 2001.

B. Mobilizing international resources for development: Foreign Direct Investment (FDI) and other private flows.

- Private international capital flows, particularly FDIs along with international financial stability, are vital complements to national and international development efforts. FDIs contribute towards financing sustained economic growth over the long term.
- There is need for the relevant international and regional institutions as well as appropriate institutions in source countries to increase their support for private foreign investment in infrastructure development and other priority areas including projects to bridge the digital divide in developing countries and countries in transition.
- While governments provide the framework for their operations, businesses for their part are expected to engage as reliable and consistent partners in the development process.
- The consensus supported new public and private sector financing mechanisms, both debt and equity for developing countries and countries with economies in transition, to benefit in particular small entrepreneurs and small and medium size enterprises and infrastructure.
- The consensus underscores the need to sustained sufficient and stable private financial flows to developing countries and countries with economies in transition.

C. International trade as an engine for development.

A universal rule-based, open, non-discriminatory and equitable multilateral trading system as well as meaningful trade liberalization, can substantially stimulate development world wide, benefiting countries at all stages of development.

- The consensus reaffirmed commitment to trade liberalization and to ensure that trade plays it full part in promoting economic growth, employment and development for all. The decision of World Trade Organisation to place the needs and interests of developing countries at heart of its work programme is welcome.
- Heads of states and government committed themselves to enhance the role of regional and sub regional agreements and free trade areas,

consistent with the multilateral trading system, in the construction of a better world trading system.

- The consensus urged developed countries to work towards the objective of duty-free access for all least developed countries exports, as envisaged in the programme of Action for Least Developed countries adopted in Brussels.
- Multilateral assistance is needed to mitigate the consequences of depressed export revenue of countries that still depend heavily on commodity exports.
- There is need for assistance by developing countries in order for them to effectively participate in World Trade Organization.

D. Increasing international financial and technical cooperation for development

- Official Development Assistance (ODA) plays an essential role as a complement to other sources of financing for development especially in those countries with the capacity to attract private direct investment. ODA can help a country to reach adequate levels of domestic resource mobilization over an appropriate time horizon, while human capital, productive and export capacities are enhanced.
- Sound policies and good governance at all levels are necessary to ensure ODA effectiveness. To build support for ODA there is need to cooperate to further improve policies and development strategies, both nationally and internationally, to enhance aid effectiveness.
- Recipient and donor countries, as well as international institutions should strive to make ODA more effective.
- The consensus also recognized the value of exploring innovative sources of finance provided that those sources do not unduly burden developing countries.

E. External Debt.

- Sustainable debt financing is an important element for mobilizing resources for public and private investment. National comprehensive strategies to monitor and manage external liabilities embedded in domestic preconditions for debt sustainability, including sound macro economic policies and public resource management, are a key element in reducing national vulnerabilities. Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations.
- According to the consensus, enhanced Heavily Indebted Poor Countries Initiative provides an opportunity to strengthen the economic prospects and poverty reduction efforts of its beneficiary countries.

F. Addressing systemic issues: Enhancing the coherence and consistency of the international monetary financial and trading systems in support of development.

- In order to complement national development efforts, the Heads of state and government recognized the urgent need to enhance coherence, governance, and consistency of international monetary, financial and trading systems.

- The multilateral financial institutions, in particular IMF, need to give high priority to the identification and prevention of potential crises and the identification and prevention of potential crises and to strengthening the under pinning of international financial stability.
- To address systemic issues, the IMF, WTO, Bank of International Settlements, Basel Committee and Financial stability Forum should continue to enhance their outreach and consultation efforts with developing countries to review membership as appropriate to allow for adequate participation.
- The Heads of State and government committed themselves to negotiating and finalizing as soon as possible a UN Convention against corruption in all its aspects, including the question of repatriation of funds illicitly acquired to countries of origin and also to promote stronger cooperation to eliminate monetary laundering.

IV. Staying engaged

To build alliance for development will require an unremitting effort. The Heads of state and government thus committed themselves to be fully engaged, nationally, regionally and internationally, in ensuring proper follow-up to the implementation of agreements and commitments reached during the conference, and to continue to build bridges between development, finance and trade organizations and initiatives, within the framework of the holistic agenda of the conference. Greater cooperation among existing institutions is needed, based on a clear understanding and respect for their respective mandates and governance structures. The consensus called for a follow-up international conference to review the implementation of monetary consensus. The modalities of that conference were supposed to be decided upon not later than 2005.

V. Progress made in achieving the Monterrey Consensus

Since 2002, significant progress has been made by the UN, governments and civil society in addressing issues on financing for development. Equally, since 2002, a number of processes have been put in place to address the issue of finance and trade between Africa and other developing countries in partnership with the rich countries of the North. The role of institutions such as the World Bank, IMF, Paris Club, World Trade Organisation (WTO), Organisation for Economic Cooperation and Development (OECD), Export Credit Agencies (ECAs), and the Global Digital Solidarity Fund (DSF) have been playing significant roles in enhancing trade and finance, financing for development as well as achieving the MDGs by 2015. These institutions and their policies has become a subject of debate through the various processes and fora organised throughout the world in view of the Doha Review conference, scheduled for December 2009.

Some of these processes include the Commonwealth Ministers of Finance and Civil society meeting on agenda for growth and livelihoods, held in Columbus-Sri Lanka, held in September 2006, the regional meeting on trade and Finance Linkages held in Johannesburg-South Africa from January 28 to February 1, 2008, the Innovative Development Financing Mechanisms, held in Dakar-Senegal in April 2008, the upcoming UN Finance for Development Hearing with the participation of the civil society to hold in New York on June 18, 2008, amongst others.

At the country level, so much is being done by governments and the civil society in addressing progress to achieving the Monterrey consensus. In Cameroon, beyond the search for economic growth, government announced and took commitment for poverty reducing policy. This was contained in the Poverty Reduction Strategic Paper (PRSP) that got approved by the International Financial Institutions (IFIs) in 2003. By 2006, she qualified for the Highly Indebted Poverty Countries Initiative (HIPC), Poverty Reduction and Growth Facility (PRGF), hence benefiting from a number of debt cancellation and rescheduling. One must admit that there is a significant progress in of poverty reduction in Cameroon over the last five years. The present civil society contribution is a civil society contribution to the achievement of the Monterrey consensus.

VI. Conclusion:

One could rightly assert that if the Monterrey consensus is well implemented then the stakes of achieving the consensus and the MDGs especially in the developing countries could be high. Never-the-less, despite the progress made so far, much still need to be accomplished by our governments in eradicating poverty, protecting the environment, providing innovative development and financing mechanisms and improving trade in order to fully achieve the Monterrey Consensus. For this to happen, there is still an urgent need for governments sacrifice in ameliorating the living conditions of its citizens through improved development policies. Equally, there is urgent need for the government to synergize with the civil society in all the processes related to achieving the Monterrey Consensus on Financing for development and the MDGs.