The Monterey Consensus: Developing the Policy Innovations

by
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Desai Nitin*, The Monterrey Consensus: Developing the Policy Innovations* in *Irrelevant or Indispensable? The United Nations in the Twenty-first Century,* Paul Heinbecker, editor, and Patricia Goff, editor, Wilfred Laurier University Press, June 2005

The International Conference on Finance for Development hosted by Mexico at Monterrey in March 2002 came after nearly two decades of contention between the North and the South on macro economic issues in the UN and elsewhere.[1] Ever since President Ronald Reagan had delivered his stark message at the North-South Summit held at Cancun, Mexico in 1981, the developed world did not see global finance as a matter for North-South negotiation. The change came from three things – the consciousness of interdependence created by the financial crises of 1997-98, the strong support from several donor countries for the Millennium Development Goals and the concerns about alienation that came with the terrorist attacks of 9/11. The Monterrey Consensus was reached because the UN managed to put together a credible process that used the political space created by these events.

Donor support for aid and other concessions has never rested on any deep commitment to the UN charter. It was a product of strategic competition for influence in the Cold War, a spillover of colonial commitments in a few cases and, in some countries, an extension of welfare state values to the global sphere. That is why the bulk of aid and debt relief was delivered bilaterally rather than through the multilateral system. Even among the multilaterals, there was a strong preference for the IFIs whose voting structure gave donors effective control.

The classical motivations for development cooperation are not as relevant now. Colonial responsibilities are now largely forgotten, except perhaps in the EU-Africa relationship and the welfare state is in retreat even domestically. The Cold War is over, though the changing vectors of geo-strategic competition could stimulate the entry of new donors and new motivations. The heightened concern about terrorism after the 9/11 attacks has also introduced a new interest in the links between development and security.

The United Nations played a major role in averting the threatened collapse of development cooperation in the early nineties with a series of path breaking Conferences. The core of the agreements reached in these conferences was captured in the Millennium Development Goals,[2] which were crisp enough to cope with the attention deficit disorder on development issues in the media and the higher reaches of government. The impact of the Conferences and the Goals can be seen in the changing agenda of the G-7/8 meetings, in the growing willingness of the World Bank and the IMF to align themselves with the UN and even in the Davos Forum. Thus the UN has helped to define a New Consensus on Development – a set of goals and policy approaches that all countries accept as a basis for international cooperation and national action. The outcome of the Monterrey Conference has to be seen as a part of this New Consensus.

Implementing the new consensus will require substantial changes in the way in which development cooperation is managed. In what follows the tasks ahead are dealt with from the perspective of the Monterrey outcome, under five broad heads:

- Maintaining the Agreement on Goals
- Mobilising International Resources
- Managing the North-South Partnership
- Securing Coherence
- Reforming Global Economic Governance

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Maintaining the Agreement on Goals:

The goals of development cooperation are now largely defined by the outcome of the UN Conferences of the 90s. These were essentially an attempt to provide a new type of rationale for development cooperation as a substitute for the old Cold War logic. They defined a substantive agenda for development, a shared understanding of the elements of good policy in a variety of areas like environmental management, poverty eradication, employment generation, social inclusion, education, health, gender equality, women's rights, human settlements. They involved both national commitments and a promise of international support. In effect the case for aid, debt relief and trade concessions now rested on the role they could play in attaining globally agreed ends.

The development goals enshrined in the Millennium Declaration are a product of these Conferences. They were supplemented by the outcome of the Johannesburg summit on sustainable development.[3] They represent the most explicit global consensus on the goals of development that we have ever had. They provide a substantive basis for development cooperation shared not just by donors but by the recipients as well.

A large proportion of the developing country population now lives in countries that are not very aid dependent. Their commitment to the goals will depend on the extent to which these goals influence other areas of international cooperation like trade and investment.

In many ways these goals are a simplification of the task of development. They do not include enough about the investments in infrastructure, science and technology and human capacity that is at the heart of development. They are thin on certain important concerns, for instance, those related to employment generation and work conditions or to gender equality. That is why they need to be kept under review so that any emerging consensus in any new area is quickly reflected in the development cooperation framework.

The goals are global. But the locus of action is at the national level. This requires a certain respect for national priorities. Poverty-reduction will surely be accepted as a priority everywhere. But other concerns, like regional or group inequalities, self-reliance or other national concerns may modulate it. Hence the principle that one size does not fit all should apply not just to means but also to ends.

Therefore the agreement of goals can only be maintained if we have a global political process that keeps them under review and that continues to look for new areas of consensus. In addition, a significant measure of flexibility has to be built into the process of implementation to allow for national variations, or, to out it more constructively, a national margin of interpretation.

Mobilising Resources

The Monterrey Consensus was in part an attempt to strengthen the commitment to these goals by spelling out more clearly the expectations with regard to aid and the Conference itself witnessed major announcements of aid increases by USA and EU.

Aid levels have recovered from the decline during the nineties. According to the latest DAC estimates, total aid from DAC members rose by 7% in real terms from 2001 to 2002 and by a further 5% in 2003. In nominal terms, official development assistance (ODA) rose by 18 % from 2002 to USD 69.0 billion in 2003. But about three quarters of the increase was due to the combined effects of inflation and the fall in the external value of the dollar. The ODA/GNI ratio rose to 0.25% in 2003, up from 0.23% in 2002 and 0.22% in 2001, but this is still well short of the average of 0.33% achieved in years 1980-92.

One of the most heartening features of the aid scene in recent years has been the growing commitment of European countries to the UN target of 0.7%. Denmark, Luxembourg, the Netherlands, Norway and Sweden are still the only countries to meet or exceed this target. Four other countries have given a firm date to reach the 0.7% target: Ireland by 2007; Belgium and Finland by 2010; and France to reach 0.5% by 2007 and 0.7% by 2012. Spain has indicated it may reach 0.7% by 2012, and the United Kingdom that it may reach it by 2013. Several countries, which have not yet committed or indicated a target date for reaching 0.7% have stated their intentions to raise their aid commitments. Canada intends to double its ODA between 2000 and 2010 and Switzerland has committed to an ODA/GNI ratio of 0.4% by 2010.

DAC has projected likely levels of aid for 2006 and 2010 on the basis of these stated intentions. According to their estimates, if these longer-term commitments are met, ODA will pass USD 100 billion (at 2003 prices and exchange rates) by 2010. [4]

The direction of aid has also moved towards the countries most in need and the bulk of the increase over the past four years is accounted for by the Least Developed Countries. Sub-Saharan Africa accounted for about two-thirds of the rise. However much of this was on account of debt forgiveness and emergency aid with just a modest real increase of USD 0.6 billion in new money for development projects in the region.

The Millennium Project has estimated that the aid levels would have to double by 2006 and treble by 2015 if we are to meet what is needed for implementing the MDGs. This calculation assumes that the absolute level of aid for all activities not directly related to the MDGs would be more or less constant in absolute terms.[5]

The MDGs are not the only object of aid support. There are other worthy ends, like mitigating climate change or protecting biodiversity. There is also a need to recognise the need for aid to support plain, straightforward economic growth. Thus the UN Report reviewing the implementation of the Monterrey Consensus states "It is also generally recognized that meeting these goals will deal merely with the symptoms of underdevelopment in the majority of Member States. Additional financing will be required to allow them to achieve debt sustainability and the stable growth required to support permanent increases in per capita incomes."[6]

The requirements of aid are clearly larger than what is in sight, even with the heightened commitment that we have seen in recent years in many donor countries. The proposal for an International Finance Facility tries to meet this gap by front loading so that substantial sums can be mobilised immediately from the market against future aid commitments. If this is a more or less continuous process it can help to raise the total amount available in the decade that we have to reach the MDGs. There are more ambitious proposals for raising resources by some form of global or globally agreed taxation. But they are unlikely to find favour any time soon.

Aid is a relatively small part of donor country budgets. Raising it substantially is not going to break the bank. The real challenge is to convince the public, their representatives in parliament and treasuries that aid is a good investment in global development.

Debt relief is the other key plank in the Monterrey Consensus. External debt in developing countries stood at US$2.3 trillion at the end of 2002, compared with $1.4 trillion in 1990. External debt as a percentage of developing countries' Gross National Income (GNI) increased from 34 percent to 39 percent over the same period. Most of the increase was in middle-income countries, while the ratio fell slightly in low-income countries. From the perspective of the Millennium goals the main concern is with the external debt of low-income countries which, at the end of 2002, stood at about $523 billion (of which nearly 80 per cent was public and publicly guaranteed debt)[7]

To date, 27 countries have qualified for debt relief of more than $55 billion under the Heavily Indebted Poor Countries (HIPC) Initiative. According to the World Bank this translates to their debt being cut, on average, by two-thirds and debt service to export ratios being reduced to an average of 10 percent. Yet, to place this in perspective, of the 38 HIPC countries only 15 have satisfied all required actions to reach the completion point when the debt relief becomes irrevocable. Providing debt relief to 11 remaining countries who have yet to qualify for HIPC is looming as a major challenge as the deadline for the entry into the program approaches. .[8]

A key element of the HIPC Initiative was to redirect the funds that would have been used for debt service into poverty reduction programs such as education and health care. In African countries receiving debt relief under the initiative, poverty reduction spending has increased from 38.6 percent of government revenue in 1999 to 48.1 percent in 2001.[9]

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Some lessons have been learnt. The World Bank and the International Monetary Fund (IMF) are working on a framework to prevent lending to low-income countries from sparking a new debt crisis. The proposed framework, which has been discussed by the boards of the Bank and IMF, is a forward-looking approach that will involve conducting a more systemic analysis of borrowing country ability to repay debt before loans are approved. In countries where policies are sound, but the existing level of debt would mean new loans would jeopardize its debt sustainability, the framework calls for lending to be provided on more concessional terms or in the form of grants. One issue is the integration of the new debt-sustainability initiative into the IDA-14 negotiations, which are currently underway with donor countries to the International Development Association. This may require a change in the current ratio of grants to loans in IDA and perhaps some scope for variation in the ratio across countries.[10]

The requirements for debt relief projected by the Millennium Project are very substantial – from $ 4 billion in 2002 to $ 13 billion in 2006. This is included in the estimates of additional ODA requirement mentioned above.[11]

Monterrey had much to say on the issue of middle-income country debt. The main demand here is for a mechanism that is more balanced between creditors and debtors and which is capable of bringing the private sector into any settlement. There is some progress in the use of collective action clauses. The Group of Twenty (G-20) countries has established a technical group to prepare a draft code in cooperation with private sector representatives. The intention of the code is to promote an early, voluntary dialogue between debtors and creditors on corrective policy and financial action to reduce the frequency and the severity of crises, to avoid disruptions and to achieve more equitable burden-sharing the process of crisis resolution. [12]

The third leg of the resource is the expansion of trade opportunities for poor countries. The main plank of this effort is the Doha Development Round, which nearly got derailed at Cancun. However in July 2004 the negotiations were put back on track. The Decision of the World Trade Organization (WTO) General Council of 1 August 2004 setting out frameworks for future negotiations carries forward negotiations in some key areas of the Doha work programme. These areas include agriculture, market access for non-agricultural products, services, development issues and trade facilitation. The decision also recognises the development dimension of the Doha work programme.[13]

The central principle of the WTO is that trade liberalisation is good for development. However WTO negotiations and domestic trade policy, particularly safeguard actions, are heavily influenced by large corporate interests. In this situation the benefits of trade liberalisation are increasingly questioned by many non-governmental organisations This sentiment will gain force if the outcome of the does not bring tangible and timely results for developing countries particularly the most poor amongst them.

There is in fact a more general problem of mandate creep in the world trade rules. Investment, intellectual property protection, non tradeable services (in some respects) have all been brought within the framework of trade rules. Principles like national treatment, non-discrimination between suppliers and the irreversibility of liberalisation are being applied to areas beyond the exchange of tradeable goods and services. In fact the meaning of the term ‘tradeable’ is being extended to cover for instance the right of establishment to provide a service. Essentially GATT had negative rules about things governments could not do. The agreements covered by WTO include provisions on what governments have to do like, for instance, pass laws to protect intellectual property on the lines specified in the TRIPs agreement.

The emphasis on the Doha Round has to be balanced with the recognition that the deepening of regional trade agreements continues to be a central feature of trade integration for developing countries. Currently, approximately 40 per cent of world trade takes place under regional trade agreements, and the share is expected to exceed 50 per cent by 2005. Of the 285 regional trade agreements notified to WTO by 2003, 215 are in force today, and the number in force will exceed 300 by 2007 if the 60 regional trade agreements currently under negotiation and the 30 at the proposal stage are successfully concluded. A major challenge for the global trading system is to work out how these regional agreements and the WTO framework can co exist.[14]

Mobilising domestic resources is a part of the Monterrey Consensus and central to the achievement of the MDGs. According to the assessment made by the UN many developing countries have made progress in the adoption and improved implementation of medium-term fiscal frameworks to improve fiscal accountability and transparency. This type of medium term framework can provide the basis for multi-year aid commitments. Other measures that have been taken include the improvement of public debt profiles, the establishment of national commodity and fiscal stabilization funds and reform and strengthening of the tax code and tax administration.

Remittances from expatriates are an important source of finance for many developing countries. In absolute terms they constitute a larger flow than ODA. Of course they do not go into the public budget and are not available directly for public purposes. However they do benefit many poor countries and tend to go to poorer households. The experience of the Indian State of Kerala shows how the flow of remittances can boost growth. A substantial part of these remittances flow through informal channels and the costs of remittance can be high. The importance of remittances is now widely recognised and several efforts are under way to reduce transaction costs. A policy measure that donor country governments could consider is to provide a tax set off for remittances sent to poor developing countries.

Managing the North-South Partnership

The New Development Consensus is essentially a North-South compact. The agreements on which it rests include an extensive enunciation of what good domestic policies should be in a variety of areas, including in the way political processes run. Good governance is supposed to be one side of a bargain where the other side is the promise of resources.

It must be recognised that the citizens of developing countries and their governments are as desirous of good governance as anyone else. According to the UN assessment “Progress has been made in developing participatory political systems, but results have been more modest in enhancing transparency and accountability in Government, implementing the rule of law and the control of corruption.”[15] At the global level the United Nations Convention against Corruption was adopted by the General Assembly in its resolution 58/4 and opened for signature at a high-level political signing conference, held in Merida, Mexico, in December 2003. This is a far-reaching convention that includes obligations on information exchange and on the return of looted money.

The link between governance and aid could shift the debate from partnership to conditionality, which has been a major source of contention in the development dialogue. Donors cannot manage without it, recipients feel constrained by it. Two quotations from the Presidents who spoke at Monterrey typifies this difference:

“We must tie greater aid to political and legal and economic reform. And by insisting on reform we do the work of compassion” From the Statement by President George W. Bush of the USA at the International Conference on Financing for Development, Monterrey, Mexico, 22 March 2002.[16]

“[Aid] should not be tied to conditions by donor countries, which is something we consider to be fundamental” From the statement by President Ricardo Lagos of Chile at the International Conference on Financing for Development, Monterrey, Mexico, 22 March 2002.[17]

There are some signs of change. The recent announcement by DFID (UK) that they now no longer believe in the virtues of conditionality is an example:

"We believe that [conditionality] is inappropriate and has proven to be ineffective for donors to impose policies on developing countries. Instead, we believe that successful aid relationships must be based on mutual commitment and dialogue, transparency and accountability."[18]

An expanded ODA programme may well run into rough weather because of these differing beliefs on the role of prior conditionalities in the aid relationship. We need a constructive dialogue between donors and recipients. This will only be possible if we deconstruct this concept. This is attempted in the table below.

Types of Conditionalities

	Non-economic	**Economic**
Not programme related	Political Conditionality *e.g. maintenance of democratic norms*	Policy Conditionality *e.g. promotion of free markets*
Programme related	Fiduciary Conditionality *e.g. ensuring practices which minimise corruption*	Performance Conditionality *e.g. reaching agreed goals in the agreed time frame.*

It is difficult to argue against the programme related conditionalities. If donors are investing in development than they surely have a right to assure themselves that the developmental results projected are reasonably probable. The main difficulty here is when donor aid organisations have excessively rigid or standardised views of what this requires in the programme design. One size does not fit all. That is where the UK papers stress on country specificity and respect for national priorities and procedures is most welcome.

The real difficulty with the idea of conditionality is with those that are more general in nature and are not very directly related to the objects of expenditure in the supported programme. The main justification for these is not really aid effectiveness but the politics of aid in the donor countries. The public and parliaments in donor countries want to be satisfied that their concepts of the good are being promoted by their aid administrations. This is an understandable concern. But it is akin to the belief that welfare payments to an individual should be conditional on his demonstrating loyalty to the ruling ideology. The donor countries have moved away from that long ago in their domestic arrangements and they must now move away from that in their international relations.

The logic for this shift is the same. The viability of democratic capitalism at the domestic level depended on the recognition that the unrequited transfers of welfare payments were necessary to sustain a functioning polity. This is now true at the international level. We have an international system that seeks to socialise states into a form of peaceable behaviour and practical co-operation. It does not always succeed but its record so far is enough to justify continuing with the experiment. The central principle of this experiment is the sovereign equality of all states as the equality of individuals is at the national level. That is why this equality must be respected by avoiding any sense of imposition.

In a certain way the outcome of the UN Conferences and the Millennium Development Goals provide a solution. They are a global consensus of all states, not an imposition of one group of states on another. Requiring states to follow the goals and principles that they have agreed to in these conferences should be the broad political and policy conditionality asked for by donors. Even this, to the extent possible should be left to regional peer review mechanisms, like NEPAD. Beyond that, the accountability in aid transactions would be strictly programme related. A shared understanding of conditionality, and its mirror image, partnership, is possible with the relaxation of attitudes on all sides and should be promoted through the dialogue processes suggested later in this paper.

Securing Coherence

Trade, Finance and Development Policy have been brought together in the New Development Consensus. However the forums, the actors and the ideologies that guide action in these areas are very different. Coherence means that the countries, which accept a goal in one forum, will be prepared to be guided by it in other forums as well. So, for instance the MDGs must become the starting point of negotiations in trade and finance forums. This does not always happen. The real difficulty is that the forums with a broad remit are not powerful and the forums that are powerful have a narrow remit.

Even amongst the forums that are powerful there is a problem of coherence. In the context of the Monterrey Consensus the link between trade and finance was much discussed. There is a Working Group on Trade Debt and Finance (WGTDF), in the WTO. The agenda of the WGTDF consists of three issue clusters: the relationship between trade and finance; the relationship between trade and debt; and greater policy coherence between relevant institutions.

At the WGTDF session on coherence between the multilateral trading system and international financial institutions such as the World Bank and the IMF, Korea presented the case of bailing out its financial institutions as one example of lack of such coherence. According to Korea, IMF policies do allow government intervention for shoring up financial institutions in case of a crisis. However, when Korea — supported by the IMF — used about US$125 billion for strengthening its financial system, the EU initiated a WTO panel on the matter, claiming that this support amounted to an actionable subsidy.[19]

Brazil gave another example. Liberalisation of the services sector was in most of the cases recommended or mandated by the IMF and the World Bank when granting structural loans. But this autonomous liberalisation was not recognised in the WTO negotiations on services. Brazil saw this as an example of lack of coherence between the Bretton Woods institutions and the WTO.[20]

Developing countries in particular have highlighted the importance of examining the interlinkages between trade, debt and finance in an effort to find sustainable solutions to these challenges within the context of the multilateral trading system. The continued availability of trade finance in a situation of financial crisis is an issue that cuts across the remit of the WTO and the IMF.

Institutional arrangements to secure coherence in global policy making are absolutely central to the implementation of the New Development Consensus. They must be at the heart of any substantial reform of global economic governance; a matter dealt with in the next section.

Coherence has to be secured at the domestic level with a broad concept of development cooperation. The main difficulty with the traditional understanding of development co-operation is that it limits greatly the range of policies in which the interests and concerns of developing countries are taken into account. In fact, this is often limited to the consideration of the aid budget, in debt rescheduling and in marginal trade concessions. Even in these areas, there is seldom any integration at the policy level. Measures taken are ad hoc and piece-meal. Thus the writ of the Development Co-operation Ministry often does not extend to trade concessions which the Trade Ministry may negotiate or even in debt management policies which the Finance Ministries handle. There is a clear need to integrate at least the different dimensions of concessionality.

The integration that we need is not just for the concessional measures that fall within traditional notion of development co-operation. The reality is that the prospects facing developing countries are affected even more by the mainstream policies, on trade, finance, agriculture, energy, immigration, etc. For the most part, these policies are determined by national interest as articulated by domestic lobbies. Development cooperation must encompass the systematic inclusion of the impact on developing countries in any analysis or international coordination of trade policies, fiscal and monetary policies, policies on agricultural subsidies, etc. The traditional concessionality would then become part of the broader package that includes changes in mainstream trade, finance and technology policies. This is the real goal of the Monterrey Consensus and the Doha Mandate.

Reforming Global Economic Governance

In the economic and social sphere, the global community works through a variety of multilateral processes for:

- the development of multilateral institutions which are entrusted with some measure of discretionary authority and predictable resources, and
- the codification of norms, standards, and principles that should be reflected in the laws, institutions, and policies of states.

Most of the multilateral institutions that deal with the first set of activities are outside the direct authority of UN processes and the Secretary General. On the other hand, a large number of the processes dealing with the second set of activities are within the United Nations. The main exceptions to this simple disjunction are the Monterrey issues of international finance and trade. Here both effective power and legislative capacity come together in the IMF (and related institutions) and the WTO. The SG's proposals for the role of the UN in development must be considered along with other proposals which address the reform of these institutions.[21] This is central to the agenda of many NGOs.[22]

When it comes to maintaining the agreement on goals, the political space provided by the UN will continue to play a major role because of its universality and its capacity to deal with issues of norms and values. The shaping of a consensus on values, norms and policy frameworks is something that the UN does which cannot be done with the same measure of broad acceptability by any other international institution. The basic reason for this is of course its universality, the broad mandate conferred by the charter and the way in which its political processes create room for civil society. But in practice the major advances have come from the determined efforts of issue-oriented coalitions of states willing to pursue global interests. Such coalitions are most effective when they cut across the usual regional and interest groupings. The strength of the UN is that it has a political process that allows such coalitions to form and to work with the more organised interest groupings to achieve substantial advances.

The responsibility for the mobilisation of resources and their efficient use will rest primarily with national governments. However the international arrangements for coordination like the IDA deputies meetings and DAC can be made less feudal, so that the recipient countries are not consulted as supplicants in an anteroom but as participants in decision making along with the donors.

At the country level, the growing importance of private finance and trade and the enmeshing of concessional and commercial resources suggests that we move away from donor-recipient stereotype to a source and destination country dialogue. This can be done by restructuring the usual annual Roundtables/Consultative Groups run by the Bank and UNDP into a broad based development forum, with an agenda anchored in the MDGs but shaped by national priorities of the developing country concerned. This is already happening in some cases and now needs to become the general rule.

The other two tracks for implementing the New Development Consensus – maintaining North-South partnership and securing coherence – will require more substantial changes in global economic governance.

The most important challenge is to give developing countries a substantially greater voice in the higher direction of the world economy. This requires both the integration of the large developing countries who have become major players in the global economy and better ways of reflecting the collective voice of developing countries in the IFIs and in finance and trade policy coordination.

A proposal which seeks to do this is the establishment of a small group summit of around 20 countries (G-20) which is representative and influential in directing the work of multilateral institutions. Such a G-20 cannot be a legislative or policymaking forum. That responsibility must rest with more universal bodies. The G 20 should be thought of as a committee of direction meant to ensure coherence across the work of multilateral bodies and to generate support and pressure for effective implementation of global commitments. How such a G-20 is constituted matters greatly for its perceived legitimacy as a coordinating forum. One proposal which addresses this suggests that the composition and the mandate of such a group should be the product of wide ranging consultations conducted by a couple of countries which are seen to be disinterested because they rule themselves out from membership.[23]

A G-20 type process will not obviate the need to improve existing processes. The individual processes charged with the responsibility of overseeing each expression of values, norms, or principles must be better linked to one another. This has begun with the increasing attention being given to the idea of a coordinated follow-up to UN conferences, both in global and regional political processes and at the country level. It needs to be expanded to include the full range of the work of the UN in the economic and social sphere. It can form the basis for raising the value, credibility, and influence of ECOSOC in the eyes of the development community.

In his recent report on UN reform,[24] the Secretary general has stressed the role of ECOSOC as convenor and coordinator with a broad remit. He has proposed that it should become the high level forum for monitoring progress towards the Millennium Goals and the extent to which development cooperation is being aligned with these goals. He has also recommended a strengthening of ECOSOC's role as a forum for discussing specific economic or disaster-related crisis and for addressing the conflict-development link.

A more radical reform would be to merge the ministerial part of ECOSOC, the Development Committee and the International Monetary and Finance Committee of the IMF. Such a merger could provide the starting point for an Economic Security Council, which has been much discussed and was proposed by President Chirac at Monterrey. This *menage a trois* will only work if there is some supervision by influential and representative countries at the highest political level, for instance through the G-20 type mechanism suggested above.

Effective implementation of what has been agreed is the most urgent need. This requires a stronger connection between global policy making and higher direction and the operational activities of the UN funds and programs, the World Bank and other multilateral aid agencies, and those of the bilateral donors. Each of these institutions is accountable for performance to its own governing body. Coherence requires that this be supplemented by some form of joint accountability to apex bodies like a strengthened ECOSOC or a new Economic Security Council or the G-20. The obligation to present a joint assessment will at least force these institutions to look at linkages between their activities and areas of responsibility.

Indeed one can go further and ask for at least a dialogue on performance between these institutions on the one hand and parliamentary representatives and NGOs on the other. The mechanism could be the joint parliamentary committees advocated by the Cardoso Panel.[25]

The effectiveness of implementation will depend not just on governments but also on the commitment of private entities that wield considerable influence in today's market economy. The Secretary-General has launched the idea of a compact with the business community in order to strengthen the implementation of norms and goals agreed in the UN process. The Turner donation has shown the possibility of tapping new resources. The sustainable development and environment processes have brought business into the policy dialogue. All three types of interaction need to be pursued with some vigour since this would raise the credibility of the UN not just in the world of business but also with governments.

The work of consensus building is by no means over. There is a continuing need to inject new analysis, insights and ideas into the political processes of the UN. Over the past decade the strongest creative impulse in the work of the UN has come from issue oriented NGO movements. This has to be sustained. But the world of science and learning has not been as deeply involved in these processes. A systematic effort has to be made to connect with the academic world in order to inject new ideas and more rigorous analysis into the development dialogue. The Secretary-general's announced intention of appointing a Scientific Adviser and a Council of Development Advisers are steps in the right direction.[26]

Getting There

There is no shortage of policy initiatives and reform proposals. The real challenge is to get an agreement on priorities and a willingness to look beyond a limited tinkering within existing power structures and institutions, which is the most that has been achieved so far. To do this we need to understand and face up to what stands in the way of reform.

The most obvious problem is the elephant in the room. The United States possesses enormous military and economic power and finds that it can attain its national ends more easily through bilateral diplomacy and, on occasion, the unilateral exercise of power. They can find partners for such bilateral deals because a privileged relationship with the US seems to be the prudential goal of many governments.

The US has not opted out of the multilateral system. They remain very active in the UN, the WTO and the Bretton Woods organisations. But their stance in negotiations is generally one of avoiding anything that would constrain national action and resisting any strengthening of international secretariats. One approach would be to secure stronger agreements without the US, as has happened with the Kyoto Protocol. The absence of the US would of course mean that the problem remains unresolved. However a standard would be set which the US would have to accept at some stage since they cannot permanently stay out of such global agreements (or so we hope). The US would like to be seen as a good global player. The other countries have to ensure that the agreed definition or public understanding of what 'good' means in this context is not constrained by US conservatism but reflects a broader consensus on what the world needs.

Developed countries other than the US seem more willing to accept multilateral obligations. A de facto multilateralisation of aid is under way as more donors accept the UN goal of 0.7%, the MDGs as their goals, harmonise their procedures, work closely with the multilaterals and move to partnership as the basis of their relationship with developing countries.[27] Yet the processes of donor coordination remain restricted. This is where the developing country partners must insist on the next step which is a their full involvement in aid coordination. Developed countries which are committed to strengthen multilateralism must go a little further. They must create space for a greater participation of developing countries in the Bretton Woods organisations, for instance in the positions on the Board. The present practice of reserving the leadership of the Bank and the Fund for the USA and Europe also needs to be changed.

The developing countries are also changing. The larger ones are more conscious of their economic power. Many of them, with booming economies and rising reserves, are moving away from a supplicant mentality to a desire to play a role in global economic management. This was seen in the Cancun WTO meeting, which, even if it failed to secure agreement will be remembered as the time when the developing countries established that they have both negotiating capacity and strength in their unity.

A new coalition of the willing can be put together consisting of the developed and developing countries who have been in the vanguard of these changes in the aid and trade system to secure the more substantial changes that are needed in the UN and elsewhere. Other processes that engage global civil society and the private sector can add to the credibility and influence of this coalition. An agenda for reform is available. In order to get there those who are willing must not be held back by those who are not.

New York, April 2005

ENDNOTES

[1] *Financing for Development, Building on Monterrey*. United Nations, New York, 2002.
[2] *United Nations Millennium Declaration,* General Assembly Document No. A/RES/55/2, United Nations, New York, September 2000.
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