

Panel on Financing for Development
G-24 Technical Group Meeting
March 17, 2008

Mr. Chairman

Panelist

Ladies and Gentlemen:

I am pleased to participate in this quality panel on Financing For Development in this G-24 Technical Group Meeting. My interest derives from the major challenge which the G-77 faces in preparing for the Doha Conference to review the Monterrey Consensus on Financing For Development, challenge in preparing to ensure a meaningful outcome of the conference given:

- a) The lack of progress in the implementation of the decisions of 2002, particularly those directed to “Enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development”
- b) The interlocking and complex nature of Global Developments since 2002 and the lack of political will and institutional capacity to address these challenges; and
- c) The segmented, issue by issue, institution by institution, approach to preparation for the review conference in spite of the General Assembly resolution on the issue.

As the G-77, New York branch, begun its preparations, it recognized that, in the nature of the issues and the disposition of the other development partners, developing countries would need to draw on all their technical resources- in national capitals, in New York, and in other key capitals - in a coordinated manner - to develop a comprehensive and consistent platform both in the review of developments with respect to the Monterrey Consensus and in the recommendations to ensure that the objectives of Monterrey can be met based on the decisions of the Doha Conference.

The group thought that it would be necessary to have, especially the G-77 in New York and the G-24 working closely especially on the systemic issues and instructed the Chair of the G-77 to pursue that course.

When we look at the Global environment in which the Doha Conference is being prepared and will take place, we see, inter alia:

- That the globalizing and integrating of economies is proceeding at an increasing rate but with increasing inequity and marginalization within and cross countries
- Increasing exchange rate volatility
- Increasing volatility in commodity markets
- Increasing volatility in major stock markets
- Increasing, possibly structural imbalances
- A complete decoupling of the real economy and the financial economy
- A global financial crisis and possibly global recession arising from market failures in the world leading economy
- Unsustainable balance of payments, current account and fiscal imbalances
- A growing disconnect between global economic power and participation in global economies decision-making
- Incapacity of existing global institutions individually, or as system, to resolve or even moderate any of these crises. At the same time, there is no global forum in which all affected countries can address the issues collectively.

Totally broken international system (rotting house) super-impose on that the climate and development dilemma discussed earlier.

In that situation of fundamental challenges and institutional vacuum we also see a situation in which there has been no meaningful progress on the decisions in the Monterrey consensus to:

- a) Reform and upgrade the infrastructure for global economic governance and decision-making to facilitate development
- b) Reform the global financial architecture and governance to enhance stability and to facilitate widespread economic development; and
- c) Reform the rules of the global trading system (World Trade Organization) to enhance development.

What should Doha do?

Given the state of the world economy, the lack of coherence and the institutional weaknesses it is clear that systemic issues which were only briefly treated in Monterrey will need to be given central focus in Doha. That much was clear from informal consultation organized under the direction of the president of the general assembly on 11 and 12 March, 2008 in New York on systemic issues. There other things were clear.

1. To most there is need for fundamental change in subsistence and approach. The approach adopted in the Monterrey Consensus and even the 2005 summit will not deliver the required change.
2. Few outside of the IMF and the World Bank, have any sense of the state of the discussions on the reform of the financial architecture, and
3. No one has any comprehensive proposal for the fundamental reform of the system. However the issues and arrangements must be treated comprehensively and in an integrated manner.

In the circumstances a number of questions arise.

1. Can the progress now in train to prepare the Doha Conference produce recommendation for fundamental change?
2. Is the world economy at a point where there is need for a Bretton Woods-type process and conference to overhaul and redesign the entire global economy, financial, monetary and trade governance structures?
3. Are there minimum changes which could be recommended by the Doha Conference while the world to arrive at proposal for fundamental restructuring that takes place?
4. Would the minimal changes undermine the more fundamental change?

What should be the nature of the follow-up mechanisms to the Doha Conference?

These are questions by a wide significant thought by a wide cross section of interest, especially in developing countries where the short comings of the present system face their most devastating impacts. In this regard the G-77 is of the view that the G-24, as specialist in the financial and monetary fields and experts on the working of the present financial system would have an important role to play. That was one reason there was a suggestion for the

type of discussion taking place here today to have taken place in New York and in advance of the UN's informal consultation on "systemic issues". There is still some way to go in the process and time for coordination effort.

In its very preliminary thinking the G-77 and China recommended, in the informal consultation, inter alia; that the Doha Conference:

- Decide on a time-bound and structured process to take recommendations to improve the global economic, financial and monetary governance structures and strengthening the follow-up
- Re-affirm the urgency of a fundamental restructuring of the internal financial architecture to, inter alia, enhancing FINANCING FOR DEVELOPMENT and poverty eradication, increase the voice and participation of developing countries, reflect the changes global economies realities and enhance stability of the overhaul financing system. To that end, and taking into account any developments in the Bretton Woods Institutions (BWIs), recommend the establishment of a time-bound, independent process to examine more closely concepts such as systemic, risks and systemic crises and the rise of individual countries and autonomous financial movements and make recommendations for the fundamental movements and make recommendations for the fundamental restructuring and upgrading of the international financial architecture, including the regulatory and super visionary frameworks.

Both recommendations carefully avoided specifying the processes structures, the time and the destination of their recommendations. These ideas need to be considered along with other in a collaborative process.

The G-77 has been structuring a process of coordination and collaboration in the preparation and collaboration in the preparation for the Doha Conference. We could explore how the G-24 could become a more central player in that process.

Byron Blake