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Introduction and Background

In preparing for the UN Conference on Financing for Development to be held in Monterrey, Nuevo Leon, Mexico, March 18–22, 2002 it may be opportune for officials and ministers from Commonwealth countries to recall its history. Developing countries have pressed to have such a conference for over two decades. Members of the Development Assistance Committee (DAC) of the OECD – i.e. the major providers (or donors) of official development assistance – have been sceptical about what it would achieve other than: (a) highlighting failure to meet the ODA/GNP target of 0.7 per cent; and (b) creating pressure for new targets aimed at increasing ODA and other capital flows that finance development.

In 1997 the donor group finally relented. But its continued reluctance to engage in a meaningful exchange was reflected in its view that such a meeting should not be a fully-fledged *conference* but a ‘high-level international intergovernmental *event*’. That issue was finally resolved in November 2000 (after years of negotiations) in favour of a conference, with agreement on the venue being reached only in early 2001. Differences of view about UNCFD were not confined to its status. They were replayed in determining its agenda and content. Donors insisted that the Bretton Woods Institutions should be given a major say in laying the groundwork for the conference. It is unnecessary to go into a detailed account of the preparatory process and of successive Preparatory Committee (Prepcom) meetings and draft reports. Suffice it to say that the agenda for the Conference now embraces six key areas of discussion affecting ‘financing for development’:

- ◆ Mobilising *domestic resources*;
- ◆ Enhancing earnings from *trade*;
- ◆ Mobilising *external private resources*, in particular
 - Private commercial capital flows, including Foreign Direct Investment (FDI)
Foreign Portfolio Equity Investment
Commercial bank lending
Bond-market flows (or foreign portfolio debt investment)
 - Private Voluntary Flows (i.e. from private voluntary and non-governmental organisations);
- ◆ Increasing international financial co-operation for development, which is code for increasing *Official Development Assistance* or aid;
- ◆ Managing *external debt* to facilitate rather than inhibit development;
- ◆ Addressing *systemic issues*, i.e. enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development (or, in other words, making the international financial architecture work).

Starting with a brief section setting out the context of UNCFD and underlining its potential value and importance, the following six sections of this paper deal with each of the agenda items identified above, in the order in which they have been listed. In dealing with each topic the paper refers to other official reports that have been prepared for the conference in setting the stage for its analysis and discussion.