

The Importance and Potential Value of UNCFD

Its inauspicious genesis notwithstanding, UNCFD provides an overdue occasion for the international community, and for the Commonwealth as an influential part of it, to revisit the conceptual and practical foundations that have supported financing for development between 1950–2000. It provides an occasion to renew and reinforce these foundations to meet the different needs created by the pressures and promise of globalisation in the twenty-first century. It presents an opportunity that the global community cannot afford to miss.

Differences between developed and developing countries (and their concerns about the other's motives and objectives) notwithstanding, UNCFD provides an occasion for common understandings to be reached through persuasive diplomacy in the months ahead. Such understandings should aim at creating and bolstering more relevant foundations for financing development over the next 20–25 years. With the Commonwealth accounting for nearly a third of all developing countries, and half the population of the developing world, its key policy makers (in particular its Ministers of Finance and Development Co-operation) have a crucial role to play in influencing the deliberations that take place prior to and at UNCFD, as well as its eventual outcomes.

As preparations are made for UNCFD, officials of all governments should recall that the present development assistance framework (DAF) was originally shaped in the 1950s and 1960s. It

is becoming dysfunctional in the twenty-first century and is assailed by controversies over: (a) the continued validity of the original *raison d'être* underlying the case for aid; (b) the effectiveness of government-to-government aid transfers; (c) the continued relevance of earlier conceptual constructs on which the DAF was built; (d) its elaborate and unwieldy multilateral and bilateral institutional architecture, with functions and mandates being duplicated, unhealthy institutional competition and lack of co-ordination; and (e) the impact (particularly on the poor) of the strategies, policies, conditionalities and agendas applied in the dispensation of aid – multilaterally and bilaterally.

These concerns have not been confined to academe or the media. They have been discussed frequently in official forums within and outside the UN system. For example, failure to meet the ODA/GNP target of 0.7 per cent – except by the Nordic countries and the Netherlands – has evoked consternation ever since the target was proposed by the Pearson Commission in 1969.² Yet attention has continually been drawn to aid performance relative to that target since the 1970s. Even so, ODA has kept falling: from a peak of 0.41 per cent of donor GNP in 1980 to 0.33 per cent in 1992 and 0.24 per cent in 1999. The stagnation of ODA flows in *nominal* dollars through the 1990s, reflecting a large *relative* and *real* decline, has been highlighted annually in the reports of the OECD's

2 Some donors, for example the USA, have never agreed to this target, although others, such as Germany, Japan and the UK, indicated officially during the 1970s that they would attempt to meet it. Those commitments, however, appear to have fallen by the wayside. Smaller, new donors, however, such as Ireland, have adopted the 0.7 per cent target as a goal to be reached within a few years as part of official aid policy.

Development Assistance Committee, several UN development funds and programmes, and of the multilateral development banks. But indignant repetition has not brought about significant improvement in the average ODA/GNP ratio.

Meanwhile a sea change has occurred in the importance of private capital flows since 1990. These have multiplied, reducing official flows to insignificance, except in the poorest developing countries that have limited appeal to foreign direct investors (other than for mineral extraction) and no appeal to portfolio capital. The relative concentration of, and limited access to, flows of foreign direct investment pose challenging questions for the international community (official and private) and, in particular, for the governments of FDI source and destination countries. Table 1 shows how much the pattern of resource flows to developing countries has changed.

Equally, the volatility and short-term nature of foreign portfolio investment in emerging markets, leading to complexity in the management

of their capital accounts, has been a perennial concern since 1990, generating research (and burgeoning literature) in academic and official circles.

Concerns about poor developing countries continuing to mortgage their future with high-cost debt-creating flows, while debt reduction is not taking place at the rate anticipated in the poorest and most debt-disabled of them, have been vexing and prominent in public debate. And, with the advent of a more open trading regime under the aegis of the WTO in the early 1990s, there has been a shift of emphasis, in donor and developing countries alike, to expanded earnings from trade which, it is argued, are preferable to transfers of aid. Cross-cutting these developments have been systemic concerns about the imperfect (and, from the viewpoint of developing countries, unsatisfactory) functioning of the international financial institutions in recent decades. These have resulted in repeated calls for revising the architecture of the official international financial system. That is becoming urgent with reverse gross flows from developing to industrial coun-

Table 1. Net Resource Flows and Net Transfers to All Developing Countries 1970–2000
(Amounts in US\$ billion)

	1970	1980	1991	1995	1996	1997	1998	1999	2000
Total Net Resource Flows	11.3	82.8	119.7	231.7	274.3	334.6	327.9	250.7	280.9
<i>of which</i>									
Official	5.6	34.9	60.9	55.1	31.9	42.8	54.6	45.3	47.1
Private	5.7	47.9	58.8	176.6	242.4	291.8	273.3	205.4	233.8
Interest payments	-4.1	-48.9	-72.3	-98.6	-104.5	-109.1	-122.6	-135.3	-153.1
Remittances on FDI	-6.5	-23.7	-18.3	-26.5	-30.4	-31.4	-35.2	-41.6	-48.5
Net Transfers	0.7	10.2	29.1	106.6	139.4	194.1	170.1	73.8	79.3
Official	4.7	28.8	41.1	22.8	1.2	10.3	19.2	-10.2	-24.0
Private	-4.0	-18.6	-12.0	83.8	138.2	183.8	150.9	84.0	103.3

Source: *Global Development Finance (GDF) 2001*. World Bank, Washington DC

Note: The numbers appear different from Table 2.2 in GDF-2001 because of an error that appears to have been made on net and gross equity flows in Tables 2.2 and 2.6 of that report. The net equity flows reported in Table 2.2 are actually gross flows, while the gross equity flows in Table 2.6 are net flows. All the tables in this report have been corrected for this error.

tries now approaching \$400 billion annually. Although global attention is invariably focused on *net resource flows*, what is important to developing countries is the *net transfer* of finance that takes place (i.e. after interest has been paid and profits and dividends have been repatriated). The net transfer is much less impressive than the resource flow numbers suggest.

Clearly, if developing countries are to have access to official and private capital, they need to pay interest and dividends, and permit profit repatriation. But while they are still developing, it is important that the resource flows (i.e. on the capital account) are of a magnitude that compensate for the reverse flows that have to take place. As Table 1 shows, thanks mainly to private capital, the average level of net transfers increased from around \$15 billion in the 1980s, to about \$80 billion between 1990–94, increasing sharply to an average of \$150 billion between 1995–98 before falling back sharply to an average of \$75 billion in 1999–2000. Most disconcertingly, net transfers on the official account have fallen particularly sharply from their peak in 1991 to negative levels at the close of the decade.

2.1. An Eroding Public Mandate for Aid?

In the context of these concerns, an overarching problem has been the gradual but discernible erosion in global public support for increasing aid. Such support has weakened with time and a mixed record of development performance. The general public in industrial countries has grown weary of media exposure that shows the developing world continuing to exhibit an undiminished propensity for conflict, continued vulnerability to natural disasters and exogenous influences, and serious shortcomings of governance (whether public, regulatory or private/corporate). The impression has taken hold, rightly or wrongly, that despite substantial aid flows to many developing countries (for example in Africa) development gains

remain elusive. Countries that receive the most aid per capita appear to be stagnating and becoming more aid-dependent. In contrast, in countries where development is occurring (for example in East Asia and, more recently, India), improved performance is attributed not to aid (which has diminished in these countries, in both relative as well as absolute terms) but to domestic economic reform, increased domestic saving, liberalisation of global trade, expansion of the role of the private sector and reduction of the public sector.

A related phenomenon has been a preference for voluntary giving through NGOs rather than increasing government-to-government transfers funded by increased taxes. In part that has been because of resistance to increasing taxation in OECD countries and to calls for tax revenues to be spent on improving public services within these countries. In greater part, it is due to growing perceptions that government-to-government transfers are, by their very nature (because of the perverse incentives created at each end), subject to misapplication and leakage. Aid is now widely perceived as contributing less to genuine development than financial flows of other kinds. Arguments that, despite its shortcomings, aid is critical for the majority of developing countries (especially the poorest), cut little ice with the public in developed countries. After 50 years of post-war development experience, that argument does more to diminish public support for continued aid than to bolster it.

As the FfD model that applied between 1950–90 has evolved, neither private capital markets (domestic, or international), nor the private voluntary sector (NGOs) – ‘civil society’ in the new vernacular – were as important as they are now. Their significance since 1990 has contributed to a different FfD structure taking shape over the last decade. Implicitly rather than explicitly a new pattern is emerging *ad hoc*, without sufficient prior involvement on

the part of all the stakeholders concerned, particularly developing countries. That process is being spurred on by impulses beyond the control of sovereign governments, resulting in an element of confusion (and frustration) about what strategic and tactical responses on the part of developing countries would be appropriate to ensure that they do not lose out from the profound changes that are taking place.

Alterations in the FfD paradigm are also being impelled by: (a) transformation of the global trading regime, with the opportunities it is supposed to be creating for increased earnings; and (b) the demise of alternatives to the market-model for sustainable development. These developments are expected to enhance trade-related earnings while reducing reliance on aid, private investment and voluntary flows. Axiomatically, it is anticipated that universal adoption of the market model will make FfD less dependent on official aid, and more reliant on private finance from capital markets. That expectation is naïve. In the short run, it may even be dangerous. But, in the long run, it has a compelling logic. The challenge for UNCFD is to chart a transition from the short-term reality to the long-term goal that enables the world to progress and its disparate standards of living to converge.

The FfD framework that evolved between 1950–90 was influenced by the unattractiveness of *laissez-faire* market doctrines at the time. Drawing on the experience of the former Eastern bloc, and the post-war socialist models emerging in Western Europe, many developing countries rejected the market-model upon achieving independence. They did so partly because it was associated with colonialism, but mainly because other economic models appeared to hold greater promise for achieving rapid development with better distribution of income and wealth. FfD (especially aid) between 1950–90 was also influenced by competition between two opposed doctrines seeking

to establish primacy in the developing world, as well as by competition among former colonial powers to retain influence over their former colonies. The result was that too large a proportion of ODA flows were driven by non-developmental motives. Under such circumstances it was remarkable that even a fraction of the aid provided had a productive outcome. In retrospect, that unfortunate feature of the FfD framework of 1950–90 legitimised the subordination of ‘development’ to other imperatives, particularly those of making recipient countries lean in a particular political direction, or to orient their trade toward particular partners.

The diminution (though not elimination as yet) of counterproductive competition in providing aid since 1990 has introduced new elements in the emerging FfD paradigm for the twenty-first century. One consequence has been to deprive developing countries of a clumsy, blunt bargaining chip. Another has been to reinforce an unfortunately myopic, unhealthy donor/IFI monopoly over development goals, priorities and strategies. Contemporary discussion of the philosophical, economic, political, social (and moral) case for FfD has thus drifted far from the intellectual underpinnings established for it in an earlier era.

Those foundations need to be redesigned and reinforced to cope with globalisation and with the following new developments: (a) multiple FfD channels reflecting the increased importance of markets, civil society and the correspondingly diminished role of governments; (b) a new, different global trading regime emerging under a near-universally accepted market-model for development; (c) newer and different stresses emerging in the global economy with rapid financial globalisation that has heightened capital and current account risks in the balance of payments; and (d) an inexorable process of integration (however imperfect and intermittent) of the world’s financial and real

economies, with attendant dislocations and consequences for countries, societies, families and individuals.

2.2. A New Raison d'Être for FfD?

At the threshold of a new century it would be remiss of the international community if it failed to undertake an overdue review, and construct a more robust framework, to serve the reciprocal needs of the developing and industrialised worlds over the next half-century. Yet, the conceptual case for financing development now is not fundamentally different from what it was before. It is still based on the desirability (from economic, political, social, moral and sustainability viewpoints) of progressing towards *convergence* of living standards across the planet). The case for convergence is compelling because it is illogical, if not unimaginable, to argue that continued *divergence* of living standards across the world is socially or economically desirable and/or politically sustainable, especially with the expectations that

globalisation is now generating.

Yet, as Tables 2 and 3 show, incomes and living standards between (and within) industrial and developing countries have been *diverging* rapidly since 1982. That is neither accidental nor inadvertent. Growing *divergence* between the industrial and developing worlds has resulted from inadequate, uneven rates of development, with many setbacks and reversals. That outcome is not simply being tolerated. It is being proactively reinforced through policies and actions that obstruct development and inhibit financing for it.

Divergence is occurring because: (a) developing countries have, in the past, pursued economic policies that have exacerbated and accentuated their disadvantages; (b) a dysfunctional FfD paradigm has resulted in heightening the vulnerability of developing countries to financial crises; and (c) developed countries have been protecting their interests, delaying adjustment and retarding market-access in areas

Table 2. Growth Rates of GDP and Population in the Industrial and Developing Worlds³

	GDP Growth (%)		Population (mn)		Population Growth (%)	
	1980–89	1990–99	1980	1999	1980–99	2000–2015
High-income Countries	3.1	2.4	827	891	0.7	0.3
Developing Countries	3.4	3.3	3602	5084	1.8	1.3
<i>of which</i>						
Low-income Countries	4.4	2.4	1386	2417	2.3	1.7
Middle-income Countries	3.2	3.5	2217	2667	1.5	0.9
East Asia and Pacific	8.0	7.4	1359	1837	1.5	0.9
South Asia	5.7	5.7	903	1329	2.1	1.4
Europe and Central Asia	2.4	–2.7	426	475	0.6	0.2
Middle East and North Africa	2.0	3.0	174	291	2.7	1.7
Sub-Saharan Africa	1.7	2.4	381	642	2.8	2.3
Latin America and Caribbean.	1.7	3.4	360	509	1.9	1.3

Source: *World Development Indicators 2000*. World Bank, Washington DC

³ These figures do not include the GDP or population figures for 72 out of 206 economies. The 72 economies (including some non-reporting countries, for example Cuba and many of the small island countries in the Caribbean, Indian Ocean and Pacific) had a total population of 184 million in 1999 and a total GDP of about US\$90 billion.

Table 3. GNP Per Capita and Growth in Private Consumption Per Capita 1980–98

	GNP per capita (current US\$)		Per capita GNP (current US\$)	PCC Growth (%)
	1980	1998	1998 (PPP)	1980–98
High-income Countries	9,660	25,730	21,763	2.2
Developing Countries	850	1,240	3,410	1.9
of which				
Low-income Countries	380	410	1,790	1.4
Middle-income Countries	1,140	2,000	4,880	2.2
East Asia and Pacific	330	1,000	3,500	5.6
South Asia	170	440	2,030	2.6
Europe and Central Asia	3,200	2,150	5,580	– 3.0
Middle East and North Africa	2,250	2,060	4,600	– 1.5
Sub-Saharan Africa	710	550	1,450	– 1.2
Latin America and Caribbean	2,170	3,840	6,280	0.6

Source: *World Development Indicators (WDI) 2000* and *World Development Report (WDR) 2000/2001*. World Bank, Washington DC

where they are losing competitiveness. Through the 1990s, OECD countries have pursued economic, financial, trade, labour market, knowledge transfer and social policies aimed at enhancing their own competitiveness. They have attempted to maintain standards of living of their populations by resorting to subterranean protectionism and keeping their labour markets closed selectively. The reality of increasing *divergence* resulting from such policies contrasts with the public posture of OECD members on the desirability of *convergence*; a contradiction between intent and action that UNCFD must strive to resolve.

With the demise of the Cold War, two other forces have emerged to bolster the case for a renewed effort to reverse divergence, and restore a trend toward convergence, through accelerated development of the world's poorer countries. The first is the *economic* shift towards near-universal (if still reluctant in some countries) acceptance of a market-model of growth and development. The second is a near-universal *political* shift toward genuinely plural, representative, and democratic models of governance;

allowing, of course, for variance in form and institutional characteristics. Such models demand greater transparency, accountability, responsibility and performance on the part of legitimately elected governments than has been the case over most of the previous half-century.

These two forces are interacting to rebalance the relative power and role of government vis-à-vis individuals, civil society and markets (creating room for private players and constructive competition) in the development process. Taking that into account, it is imperative that the international community succeeds, at the threshold of the twenty-first century, in formulating a rationale for FfD that accommodates and encourages these tendencies.

UNCFD provides the first opportunity in over three decades to reconsider the basic precepts and *raison d'être* for FfD in a globalising world. It permits overdue discussions to take place between the industrial and developing countries in the broader context of the UN instead of the narrower confines of the Bretton Woods Institutions. It elicits participation at the highest political levels, i.e. by heads of government

with wider remits and mandates than finance ministers, aid ministers and central bankers. It presents an opportunity for industrial and developing countries to address a number of concerns that influence the ability of developing countries to mobilise the resources (domestic and external) needed to:

- ◆ Finance the core prerequisites for development, i.e. adequate infrastructure for power, communications, transport, water and sewerage, and adequate capacity to cope with the consequences of burgeoning urbanisation;
- ◆ Integrate domestic financial systems and capital markets seamlessly into a single global financial system and capital market;
- ◆ Integrate their national economies into the emerging global economy non-disruptively, with as few domestic and/or global dislocations as possible;
- ◆ Become more socially cohesive and institutionally capable in order to accommodate the centrifugal political pressures of regionalisation and globalisation, on one hand, and the opposing centripetal tendencies of resurgent ethnicity, devolution, decentralisation and localisation on the other;
- ◆ Attain national development goals, such as: higher than previously targeted (i.e. 7–8 per cent rather than 4–5 per cent) rates of growth; accelerated poverty reduction to meet IDG-2015 targets; increased employment to meet demographic challenges and avert social catastrophes; increased rates of per capita income growth across all income groups; and increased ratios of domestic investment to GDP to levels (i.e. >30 per cent) that can sustain annual growth rates of 7–8 per cent.

The key question is whether developing countries can realistically achieve these multiple goals while adjusting simultaneously to a process of globalisation of which they have

highly imperfect understanding and over which they have no control. The answer will be decisively negative if UNCFD fails to make progress on FfD. If it is to succeed, participants must escape from the past pattern of exchanges between developed and developing countries that has characterised international discourse. UNCFD should aim at worthwhile outcomes by launching a new phase in development co-operation and aligning multilateral discourse in keeping with the changes that are occurring in the tone and tenor of *bilateral* relations between key industrial and developing countries.

In a globalising world, developed and developing countries are bound more by what unites them – in terms of their joint global interests and the need for convergence – than by what divides them. Clearly, *developing* countries have an interest in seeing tangible outcomes materialise from the conference in increasing FfD of all types. *Developed* countries have an interest in the more rapid development of the global economy as a means of stimulating demand, keeping their production engines going and averting the threat of a prolonged global slowdown. Investment in development, along with modest consumption-support for the poorest and the weakest segments of the world community, are pro-cyclical as well as counter-cyclical means of managing global demand. If these traditional tools of demand management are regarded as indispensable in developed countries, it is difficult to see why the same concepts cannot be applied in the same way at the global level.

From that perspective, the interests of the developed and developing countries do not collide; they coincide. Both groups have an interest in ensuring that: (a) policy errors or resource inadequacies do not trigger frequent financial crises in the developing world; and (b) such crises do not threaten, through contagion, regional and global financial markets. They have a joint interest in preventing such crises and containing their impact when they occur.

Both have an interest in changing the rules of the game, along with making attendant changes in the functioning of the international financial system (and in its architecture), to ensure that the costs of adjustment and remedial action do not always fall disproportionately on the poorest people in developing countries. Both have an interest in ensuring that insufficiently rapid development in four-fifths of the world does not trigger potentially explosive social problems in the privileged one-fifth through mass migration. Both have an interest in protecting global commons and the global environment. And both have a common interest in avoiding the cross-border spread of debilitating infectious diseases and preventing mass ignorance from compromising prospects for the future. More positively, both should have an interest in ensuring that the standards of living enjoyed by one-fifth of the world are gradually spread (through sustained differential growth rates that eventually converge rather than through ham-handed redistribution) to the remaining four-fifths in order to avoid conflict and to increase, rather than diminish, global welfare.

At UNCFD, governments of industrial countries will underline the real-world restraints that prevent them from committing to measures requiring larger budgetary efforts for financing development. Their preference will be for achieving desirable FfD outcomes with less public money. Developing countries, on the other hand, and the 'aid industry' that intermediates public funds to them, will want the opposite outcome. UNCFD will need to reconcile these conflicting interests and strike a balance that both sides can accept.

Many specific facets of FfD are better tackled in forums such as the WTO (for example trade), the IMF (contingent financing), the World Bank (infrastructure) or the regional development banks. Of course, UNCFD must underline the inter-relationships across these different

components for the sake of coherence, recognising that failure in one compartment will have knock-on effects in others. But in doing so, a balance will need to be struck by industrial and developing countries alike in respecting institutional mandates and boundaries for settling specifics. UNCFD cannot be used by *developing countries* as a platform to pass resolutions on how the WTO, IMF, World Bank or regional banks should function. Nor should *industrial countries* undermine UNCFD by insisting that key FfD issues can be settled only in the governing councils of the IFIs they control. Such attempts would be equally counter-productive. Both should be eschewed up-front.

For the same reason, all countries (developed and developing) need to temper their expectations with realism. Clearly, both camps will press for their respective preferences to be accommodated in full. But there are limits to how far certain issues can be taken in an international conference without running the risk of reversal. While pushing the edge of the FfD envelope as far as it can go to achieve a mutually acceptable outcome, what needs to be avoided is a stalemate of irreconcilable differences. Industrial countries need to eschew the temptation to pre-emptively head off demands for more FfD by repeating tired nostrums about good governance, capacity-building, institution-building, financial-sector and market liberalisation, privatisation, increased domestic resource mobilisation and greater efforts to attract foreign capital. The presumption that developing countries are not sufficiently interested in these measures, and need to be continuously reminded of them through pious, patronising preaching (to the converted), is erroneous.

It is undeniable that developing countries should be making more rapid progress in these areas than they are. But the reason progress has been insufficient is not a lack of interest or political will, but the paucity of knowledge and capacity and the fact that the essential 'initial

conditions' have not been in place to make sufficiently rapid progress on all these fronts simultaneously. The other obstacle lies in the need to achieve the domestic social and political consensus necessary for change in all these desirable directions in tandem, and for it to be sustained and embedded.

2.2.14. By the same token, developing countries must acknowledge that their record leaves much to be desired when it comes to core issues that affect development and FfD adversely: i.e. governance, corruption, inefficiency, lack of transparency and accountability, the subversion and manipulation of democracy and judicial processes, the running down of standards of public and political behaviour and of public institutions, and changing the established culture of public officials seeking office to pursue private agendas. They need to acknowledge responsibility for their problems rather than use UNCFD as a pulpit for blaming their situation on their colonial past, the unfairness of others, the fundamental injustice of embedded power asymmetries in the functioning of the global system and the perennial unfavourability of external circumstances. After 50 years of development experience with far too many failures, these litanies have worn thin.

Since the 1980s considerable knowledge has been gained about: (a) the development process; (b) its vulnerability to external shocks, even in robust middle-income countries; (c) the nature and causes of recurring financial crises; and (d) the implications and consequences of their mismanagement. But the more we learn, the less we seem to know or be sure of. Every answer begs a more complex series of questions.

Even so, it is clear that what has been learnt over the last two decades suggests that present arrangements for FfD – and especially *external* FfD – do not support the goals of either: (a) achieving convergence of incomes and living standards over a sustained period of 50–100 years; or (b) meeting the ambitious IDG-2015

targets in developing countries. That alone is a good reason for holding UNCFD and making it a success.

Hopefully UNCFD will not be simply a one-off event but will signal a new beginning in a continuing dialogue aimed at improving the speed and quality of development around the world. That is vital for greater global stability and security. UNCFD should catalyse resumption of an ongoing, productive dialogue between developed and developing worlds that has been interrupted for two decades. Such an exchange should not be framed in the context of a 'zero-sum game' (i.e. one side's gains automatically resulting in losses for the other side) but of a positive sum game (where both sides win) in a globalising world.

The Commonwealth, in many ways a smaller version of the UN, provides an ideal forum in which new ideas can be tested and discussed between its developed and developing country members dispassionately and constructively. It is a unique club which, if it chooses, can help to facilitate discussions at UNCFD by using the influence that its members have over their own respective camps. In order to do this, Commonwealth member countries need to discuss and come to some form of agreement among themselves on the key substantive issues that UNCFD will address. It is to these issues that this paper turns in the sections that follow.

The six agenda items for UNCFD outlined in the first section of this paper are discussed in the UN Secretary-General's Report (SGR) on UNCFD (January 2001); the successive reports of the Preparatory Committee for the Conference (Prepcom); and the Report of the Panel of Experts appointed by the UN Secretary-General and chaired by former President Zedillo of Mexico. The last is referred to throughout this paper as the Zedillo Panel Report (ZPR). In approaching its task, this paper introduces these six items with a brief reprise of how ZPR treats each and of ZPR's

emphasis and recommendations. The paper then goes on to develop its own analysis and views in each of the six areas.⁴

The main reason for not using the SGR as a compass for this paper is that its commentary on the six agenda items is insufficiently substantive. Essentially, SGR comprises a long list of suggestions linked by nostrums on which broad agreement already exists, and to which little value can be added at UNCFD. They dwell, unsurprisingly, on the need for *developing* country governments to pursue sound macroeconomic policies in a medium-term framework, strengthen institutions, build administrative capacity, ensure good governance, and achieve more efficiency, greater effectiveness, transparency, accountability and responsibility in anything that has a bearing on development. All of that is, of course, true and unarguable. But none of it is

useful in moving the argument forward.

Of the 87 recommendations contained in the SGR, 75 are exhortations to the obvious. The remaining 12 contain kernels of substance whose value is diluted by the proposals in which they are wrapped. Most of these call for setting up international forums for discussions, replete with panels of experts, and studies focused on exploring ideas that are in some instances fanciful, in others dubious and in some cases discredited. It is clear from its substance, and the way in which it has been written, that ZPR has used SGR as the basis for extruding its own analysis and recommendations. Unsurprisingly, it discounts or ignores most of what SGR has to say; focusing selectively on a few of the key points that SGR makes that are not all-encompassing generalities.

4 This paper uses ZPR as its lodestone because that Panel was appointed by the Secretary-General to draw the sting from criticisms by developing countries that SGR was compromised. The involvement of the Bretton Woods Institutions in the preparatory process resulted in vetoes on analysis and recommendations that did not accord with their own views and preferences. ZPR supposedly, therefore, embodies a view from the developing world that SGR dilutes, thus diminishing the latter's value as a point of reference.