

**Preparatory Committee for the International Conference  
On Financing for Development**

Third Session, second part

15-19 October 2001

Agenda Item 2

**Review of the inputs to the substantive preparatory process and the International Conference on  
Financing for Development****Note by the Secretary-General****Technical Notes**

On 8 May 2001, at the end of the first part of its Third Session, the Preparatory Committee requested the Financing for Development Coordinating Secretariat to prepare a series of “technical notes” related to issues falling under the substantive agenda for the Conference, on the understanding that such reference notes were to consist of factual, concise listing of existing proposals in a given topic, and not contain any analysis, comparisons, judgments or recommendations. The Bureau of the Preparatory Committee was entrusted with drawing up criteria for the selection of the topics and to finalize the list. At its meeting 15 June 2001, after consulting with members of the Preparatory Committee, the Bureau delivered to Coordinating Secretariat the following list:

1. Existing proposals for enhanced international cooperation on tax matters.
2. Existing proposals for international cooperation to combat corruption, including repatriation of illegally transferred funds to the countries of origin.
3. Existing proposals for innovative sources of finance.
4. Existing proposals to promote the increased and more effective participation of developing countries in the trade and financial decision-making processes.
5. Existing proposals for improved or new processes for coordinated debt restructuring (prevention and treatment of debt problems) in order to sustain growth and support economic and social development.
6. Existing proposals to increase market access to exports of developing countries.
7. Existing proposals on bilateral and multilateral investment agreements and practices towards codes of conduct on TNCs and governments with respect to FDI.
8. Existing proposals on financial crisis prevention, including operation of early warning systems and transparent and predictable international financial markets.
9. Existing proposals to ensure availability of sufficient international liquidity in order, inter alia, to avoid unnecessarily recessive adjustment processes.
10. Existing proposals on strategies for expanding access to micro-credit and for assisting current micro-credit beneficiaries in gaining access to the formal domestic banking sector.

The corresponding technical notes have been put together by the Coordinating Secretariat in close collaboration with, and the generous assistance of, staff from various institutions and other relevant stakeholders engaged in the Financing for Development process. They are presented as individual addenda to this Note.

**Technical Note No.4\***

**ADVANCE UNEDITED VERSION**

**“Existing proposals to promote the increased and more effective participation of developing countries in the trade and financial decision-making processes”**

**Introduction**

“Increased and more effective participation” has several dimensions: from ensuring that more and more the voices of developing countries are heard to a situation in which their voting in relevant bodies is increased in a meaningful way; and regarding effectiveness, from ensuring the physical presence of individual developing countries in international negotiations to ensuring that each country representative has the required expertise on the subject under consideration and has also some experience or some training in negotiation processes. These dimensions have a similar connotation in institutions such as the IMF and World Bank, where the voting process is largely based on the financial weight of the stakeholders. In the WTO - a more recently established institution with a growing membership- the large majority of decisions are taken by consensus and changes regarding participation of members and accession of new countries might imply a different connotation.

The focus in the list of proposals below is on intergovernmental bodies that discuss or negotiate principles, norms, standards or rules and set policies or policy guidelines.

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\* The preparation of this technical note was coordinated by the Financing for Development Secretariat. Staff from the following entities collaborated, in a personal capacity, in its preparation: UN/DESA, UNCTAD, IMF, World Bank, WTO, ESCAP, ECLAC, UNDP, G-24 - Liaison Office and various academic institutions.

**List of proposals:**

**I. Increased participation in financial decision-making processes**

The Report of the Secretary General (A/AC/257/1267) to the FfD-Preparatory

Committee in paras.134, 136, 137 and 166 contains proposals towards increased participation of developing countries in economic and financial decision-making. In the list that follows, the origin of the proposal and the intergovernmental body to which the proposal has been presented have been identified except in the case of Ministerial Communiqués (e.g. the G-24 Ministerial Communiqués are regularly presented to the IMF International Monetary and Financial Committee and the Joint IMF/World Bank Development Committee and the results of the UN Conferences are regularly presented to the General Assembly).

- 1) Origin: Ministerial Declaration of the High-Level Segment of the Economic and Social Council, 18 July 2001  
Presented to: The High-Level Segment of the Economic and Social Council on the role of the United Nations in support of the efforts of African countries to achieve sustainable development, 18 July 2001  
Proposal: Ministers "welcome the dialogue between the Group of Eight and representatives from Africa, including at the highest level, and invite the Group of Eight to maintain the dialogue to ensure that the challenges facing the region are given due attention on a regular basis."
  
- 2) Origin: XI Summit of the Heads Of State and Government of the Group of Fifteen, Jakarta, Indonesia, 30 - 31 May 2001  
Proposal: "More meaningful and equitable participation, cooperation and consultation between developing and developed countries are required in the reform of the international financial system to ensure that the interests of all developing countries are safeguarded."
  
- 3) Origin: Deliberations of the special High-Level Meeting of the Economic and Social Council with Bretton Woods Institutions held on 1 May 2001  
Presented to: Substantive session of the Economic and Social Council, July 2001  
Proposal (as reflected in para. 53 of the summary of the meeting on 1 May 2001): "Regarding the ongoing reforms of the BWIs, several ministers welcomed the review of IMF conditionality initiated by its Managing Director, with a view to making it better focused, more effective and less intrusive, as well as to enhancing program ownership. Nevertheless, developing countries still needed a larger voice in the decision-making processes of these institutions. More generally, there was broad convergence on the need for inclusion and participation of all countries and stakeholders in global policy-making as a prerequisite to ensure its success. "
  
- 4) Origin: Quota Formula Review Group (Report to the IMF Executive Board of the Quota Formula Review Group – April 12, 2001)  
Presented to: IMF Executive Board (April 2001)  
Proposal: "The most important criteria for assessing any Proposals for change in the quota formulas are: (i) any new formula should have a sound economic basis and reflect the relevant changes in the world economy; (ii) its form

and content should be consistent with the multiple functions of the quotas; and (iii) it should be simple and transparent”.

The Group whose purpose was to review the adequacy of calculated quotas in the light of changes in the world economy and the increasing globalization of markets did not reach unanimity on any precise formula, but one option – a minority view which is to use purchasing power parity (PPP) exchange rates instead of market exchange rates in the calculations, would lead to a relative increase in the quota (and voting power) of developing countries.

- 5) Origin: Report of the Regional Consultation on Financing for Development in the Western Asia Region, Beirut, 23 and 24 November 2000  
Presented to: FfD -Preparatory Committee, February 2001.  
Proposal: “(...)To perform needed functions effectively (...) it is necessary to reform the governance of the IFIs, including their voting structures and decision-making processes, with a view to bringing about greater participation of developing countries.”
  
- 6) Origin: Deliberations of the High Level Intergovernmental Event on Financing for Development 21-22 November 2000, 8<sup>th</sup> Session of the Meeting of Ministers of Finance of African Countries, Addis Ababa, Ethiopia,  
Presented to: FfD -Preparatory Committee, February 2001.  
Proposal: "We are of the opinion that there is need for a serious dialogue on the issue of governance of the international financial system. The basic problem today is the exclusion of a large number of developing countries, especially from Africa, from the decision-making process of the international financial system. Such a dialogue invariably would need, inter-alia, to include a review of the respective roles of the Bretton Woods Institutions, such as reconsidering their governance structures, provide a greater voice to developing countries, and customize their programmes to the needs of developing countries."
  
- 7) Origin: Intergovernmental Group of 24 on International Monetary Affairs,G-24 Meeting of Ministers, Ministerial. Communiqué, September 23, 2000  
Proposal: “Ministers welcome the ongoing discussion of a whole range of complex issues relating to the role, structure, and context of the Fund's quota formulae. They hope that these discussions will lead to a more balanced distribution of quotas between industrial and developing economies and the provision of a larger voice for developing economies in the decision making process of the Fund. They also reiterate their support for a revision of the size of the basic votes.”
  
- 8) Origin: Report of the Regional Consultative Meeting on Financing for Development in the Asia and Pacific Region, Jakarta, 2 to 5 August 2000  
Presented to: FfD -Preparatory Committee, February 2001  
Proposal: “The view was expressed that regarding its treatment of developing countries, IMF was not meeting the objectives of its articles of

agreement.

- ° IMF remains the appropriate forum for the reform of the international financial architecture.
- ° There is a need to review IMF quotas...”

9) Origin: “Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries”, Report of the Secretary-General, 27 July 2000.

Presented to: General Assembly, Fifth-fifth session (September – December 2000).

Proposal: “There is a broadening view that the voting structures of the Fund and Bank should be realigned both to better reflect current economic realities and to give more representation to low-income countries” (...) “Sometimes, the principle of “subsidiarity” can usefully limit what needs to be addressed at global level, or sub-groupings of the whole membership can deliberate first in decentralized forums and the group views can then be represented in the global forum. On both counts, it follows that, along with global institutions, stronger regional and sub-regional bodies can play a significant role in the globalizing world economy. It has been suggested that a more decentralized policy-making process might be conceived wherein regional forums would help prepare for discussions by representatives in global forum and thus facilitate wider participation in the discussion of global issues”.

10) Origin: G-24 – Ministerial Communiqué, 15 April 2000, Washington,

Proposal: “Ministers are concerned about the increasing role being taken in international monetary and financial affairs by international fora--other than the BWIs--in which the representation of developing countries is limited. The work of these fora has a direct bearing on developing countries. Therefore, Ministers urge that such issues should be considered within the BWIs, given their universal membership, and that agreements be reached in their decision-making bodies.”.

11) Origin: G-24 – Ministerial Communiqué, 25 September 1999, Washington,

Proposal: “Ministers stress that, in order for informal mechanisms for dialogue between “systemically significant” countries to gain ownership and representation, the choice of participants should take into account the constituency structure of the BWIs. They consider that such mechanisms should not undermine the role of the BWIs’ Executive Boards and Committees as the appropriate fora for addressing the main issues facing the international monetary and financial system”... “While welcoming the establishment of the Financial Stability Forum, Ministers consider that developing countries should be appropriately represented in order to ensure that their views are properly reflected”.

12) Origin: Communiqué of the Meeting of Ministers for Foreign Affairs and Heads of Delegation of the Non-Aligned Movement, 23 September 1999

- Proposal (adopted in Communiqué): "(...)However, we regret that the voice of developing countries in decision-making still does not realistically reflect their emergence as important actors in the world economy. We therefore urge developed countries to give this cumulative contribution and role meaningful and commensurate recognition. The participation of developing countries in global economic decision-making, particularly in the international financial institutions, as well as in trade and other economic areas, should thus be enhanced. We reaffirm the need for such democratization and transparency in international economic and financial decision-making in all fora and at all levels, with the full participation of developing countries so as to ensure that their development interests would be finally taken into account."
- 13) Origin: Commonwealth Finance Ministers meeting, Grand Cayman, Cayman Islands, 21-23 September 1999  
(Reiterated at the Commonwealth Finance Ministers meeting, St. Julians, Malta, 19-21 September 2000.)  
Proposal: "They (ministers) also stressed the need for a more inclusive process of shaping the international financial architecture. In this context, they welcomed the suggestion of enhanced participation of developing countries in the Financial Stability Forum".
- 14) Origin: High-Level Regional Meeting "Towards a stable and predictable international financial system and its relationship to social development" held in Mexico City from 5 to 7 September 1999 under the auspices of the Government of Mexico and in collaboration with ECLAC.  
Presented to: General Assembly, 22 September 1999.  
Proposal: "The developing countries' regional groups and coalitions, such as the Group of 77, the Group of 24, the Group of 15 and the Rio Group, should strengthen their participation in the dialogue with the Group of Seven, other industrialized countries and international financial institutions, with the view to ensuring consistency and universality of economic policy measures and to designing and setting up the new international financial architecture. Regional and subregional financial institutions have a key role to play in this endeavour".
- 15) Origin: G-24 – Ministerial Communiqué, Washington, D.C., April 26, 1999  
Proposal: "Ministers underscore the necessity of comprehensive reforms of the international monetary and financial systems, geared to prevent costly economic crises and to manage them effectively when they occur. They are of the view that improvements in the system be built around the existing international institutions and emphasize the need for developing countries to have an equitable representation in this process. In this regard, Ministers reiterate their call for the establishment of a task force with participation from industrial countries and representatives from a wide range of developing countries to engage in an in-depth examination of issues related to the reform of the international monetary and financial system. "

- 16) Origin: Report on the thirty-second session of the Committee for Development Planning (CDP).  
Presented to: Economic and Social Council, May 1998.  
Proposal: “A World Financial Organization could be established to provide overall guidance in the development and monitoring of international standards and codes of conduct for private financial management and capital flows, and to identify new needs for supervision of private capital markets as they arise”.  
 The Proposal has been reiterated by the Executive Committee on Economic and Social Affairs of the UN in its report “Towards a New International Financial Architecture” (21 January 1999) which has been presented to the Second Committee of the General Assembly. Discussing the proposal the Committee adds that “such an institution could evolve from existing ones, such as BIS and IOSCO” which would require a “significant expansion of the membership of these organizations”.
- 17) Origin: Ministerial Meeting of the G-24, Caracas Declaration, Caracas, Venezuela, 7-9 February 1998,  
 (Proposal reiterated at the G-24 Ministerial Meetings of April 1998 and October 1998)  
Summary of the Proposal: Establishment of a Task Force with participation from industrial countries and representatives from a wide range of developing countries to engage in an in-depth examination of issues related to the reform of the international monetary and financial system. One of the six issues the Task Force is called to address is the following: “The increased representation and participation of developing countries at the decision-making level of international financial institutions to properly reflect developing countries’ growing role in the world economy, including through the revision of the bases determining the voting power in these institutions”. The terms of reference of the Task Force could include the examination of ways to approach these issues more efficiently within existing bodies.
- 18) Origin: “Global financial integration: an update”, Report of the Secretary-General, 30 September 1997.  
Presented to: General Assembly, Fifty-second session.  
Proposal: “The Board of Directors of BIS continues to comprise only representatives of the central banks of the Group of Ten”...” The developing countries should participate fully in the deliberations and decisions on international supervisory issues”.
- 19) Origin: G-24 – Ministerial Communiqué, D.C., April 21, 1996  
Proposal: ” Ministers emphasized the importance of maintaining a proper balance in the representation of members and regions within the Executive Board of the Fund and expressed serious concerns about the relative decline in the quota share of developing countries over time. They stressed that the quota increase under the Eleventh General Review of Quotas should be predominately equiproportional to ensure an adequate increase in quotas for all members and to help maintain the

quota share of the developing countries. They also called for a review of the number of basic votes, which would enhance the participation of developing countries, especially a number of smaller ones, in decision making in the Fund.”

- 20) Origin: G-24 – Ministerial Communiqué, Washington D.C, October 7, 1995  
Proposal: ” With regard to the Halifax communiqué on this subject, Ministers reiterated the position taken in the G-24 Resolution adopted in Madrid in October 1994, and reaffirmed in April 1995 in Washington, that any assessment of the functioning of the international monetary and financial system must be made with the full and substantive participation of the developing countries. Accordingly, Ministers emphasized the importance of the involvement of the developing countries in any discussion on the reform of international financial institutions along the lines of the Committee of Twenty.”
- 21) Origin: G-24 – Ministerial Communiqué, Thailand, October 12, 1991  
Proposal: ”Ministers underscored, in view of the expanding membership of the Bretton Woods institutions, the critical importance of preserving the genuinely multilateral character of these institutions. They reiterated that new membership should not adversely affect the present geographical representation of developing countries on the Executive Boards of the Fund and the Bank. Ministers also reiterated the importance of ensuring an adequate representation of developing countries in the senior management of the Bretton Woods institutions.”

## **II. Increased participation in trade decision-making processes**

A significant development in this field has been the recent decision of the Director General of the WTO to appoint a panel of experts to advise him on the challenges and opportunities confronting the organization and the global trading system. Accordingly, one of the main tasks of the panelists will be to examine “how the organization can ensure the fullest possible participation of each member government as the WTO expands to near universal membership.”(WTO/News Press/ 236 Geneva, 5 July 2001).It is also important to note that since Seattle the WTO-General Council has tried to ensure that the negotiation and discussion process in the WTO is fully transparent and open to all members and observers. All substantive issues regarding, for example, implementation of the WTO agreements, preparation for the Doha Ministerial Meeting and the possible launch of a new round of trade negotiations are discussed in formal or informal sessions of the WTO's General Council. ”Subsidiary” bodies, that deal with special topics are nonetheless themselves open to all members and observers and are required to report back to the General Council.

- 1) Origin: Zanzibar Declaration, The Least Developed Countries Trade Ministers' Meeting , 24 July 2001, Zanzibar, Tanzania.  
To be presented to: Fourth WTO Ministerial Conference to be held in Doha, Qatar from 9-13 November 2001.  
Proposals: "The Ministers responsible for trade of the Least Developed Countries, meeting in Zanzibar call upon the 4<sup>th</sup> WTO Ministerial Conference to agree on (a) facilitating the accession of LDCs into the WTO with a more streamlined process of accession, under terms consistent with their development, financial and trade needs and commitments not higher than those undertaken by LDC WTO members, including transitional periods mandated by WTO Agreements starting from the date of accession and (b) ensuring that, in view of the LDCs' limited capacity to negotiate and undertake further commitments, the scope of the future WTO work programme is manageable and agreed by all members by consensus, and that any future negotiations are based on an agenda accommodating LDCs' interests."
  
- 2) Origin: The Report of the High-level Panel on Financing for Development, United Nations, 26 June 2001.  
Presented to: Secretary General of the United Nations  
Proposal: "There is a case for establishing a small steering group that can be delegated responsibility for negotiating consensus on future trade accords among WTO member countries. Ideally, the composition of the steering group should be representative of the total WTO membership, and participation should be based on clear, simple and objective criteria".
  
- 3) Origin: XI Summit of the Heads of State and Government of the Group of Fifteen, Jakarta, Indonesia, 30 - 31 May 2001  
Proposal: "We reaffirm that a rule-based, open, just, equitable and non-discriminatory multilateral trading system is a prerequisite for a sound and balanced international economy and the credibility of the multilateral trading system. In this context, greater inclusiveness, internal transparency and effective participation of all members in the decision making process in the World Trade Organization (WTO) should be enhanced in order to accommodate the legitimate requirements and priorities of developing countries."
  
- 4) Origin : Deliberations at the Third United Nations Conference on the Least Developed Countries..Programme of Action for the Least Developed Countries for the Decade 2001- 2010, Brussels, Belgium, 14-20 May 2001  
Summary of the Proposal: To facilitate the accession process for LDCs in WTO on the basis of terms that take into account their stage of development and the basic principles of special and differential treatment. In the meantime, to support efforts of LDCs already seeking to accede.

- 5) Origin: Report of the Regional Consultation on Financing for Development in the Latin America and the Caribbean Region, 9 - 10 November 2000  
Presented to: FfD-Preparatory Committee; February 2001.  
Proposal: “Of critical importance is a fair , equitable and rule-based multilateral trading system, operating in a non-discriminatory, inclusive and transparent manner that provides benefits for all countries, especially developing countries. This must involve, inter alia, effective participation of the latter in decision-making, (...)”
- 6) Origin: Report of the Secretary-General to the Preparatory Committee for the High-Level International Intergovernmental Event on Financing for Development, United Nations, January 2001  
Presented to: FfD-Preparatory Committee; February 2001.  
Summary of the Proposal: In discussing systemic issues of governance and policy coordination the report recommends that “The United Nations and the World Trade Organization should continue to work innovatively and constructively with each other in pursuing overall coherence and consistency issues related to the international monetary, financial and trading systems, especially as they relate to the support of development. In this context, the UNCTAD Trade and Development Board should further deepen regular interactions with the Committee on Trade and Development of the WTO General Council. Other interactions and cross-participation of senior officials, committee chairs and interested government representatives in United Nations and WTO intergovernmental meetings should be similarly facilitated.” The Secretary-General’s report also suggests that “the Ministerial Conference of WTO might wish to keep on its permanent agenda further consideration of the issue of its institutional relationship with the United Nations.”
- 7) Origin: Report of the Regional Consultation on Financing for Development in the Latin America and the Caribbean Region,, 9 - 10 November 2000  
Presented to: FfD-Preparatory Committee; February 2001  
Proposal: “To this end (here, the report refers to the preceding paragraph where it calls for reforms needed for a more equitable, participatory, solid and stable international financial and trade system within a convergence of efforts of the United Nations with the Bretton Woods institutions and the World Trade Organization), it is essential that the process of reform for a strengthened and stable international financial architecture should be based on broadened and strengthened participation of developing countries in the international economic decision-making and norm-setting processes in order to promote more efficient international institutions and arrangements in which all relevant interests can be effectively represented.”
- 8) Origin: South Summit - Havana Programme of Action, ( Ministerial meeting of the Group of 77 and China), 10-14 April 2000, Havana, Cuba,  
Proposal: (We, the Heads of State and Government, commit ourselves to the

following decisions and actions:) “Work towards achievement of the universal membership of the World Trade Organization as soon as possible in order to strengthen the multilateral trading system. We strongly believe that appropriate assistance should be made available to developing countries seeking accession. They should be offered terms that neither exceed nor are unrelated to the commitments of developing country and LDC members of WTO. We urge that all WTO members refrain from placing excessive or onerous demands on applications from developing countries. We, therefore, stressed the need for a transparent, streamlined and accelerated accession process that is in keeping with WTO rules and disciplines.”

- 9) Origin: Marrakech Declaration, September 1999. (Ministerial meeting of the Group of 77 and China).  
Presented to: UNCTAD X (February 2000) and reiterated at the XI Summit of the Heads of State and Government of the Group of Fifteen, Jakarta, Indonesia, 30 – 31 May 2001 (para.21).  
Proposal: “The universality of the World Trade Organization should be achieved as soon as possible in order to strengthen the multilateral system. We strongly believe that appropriate assistance should be made available to developing countries seeking accession. They should be offered terms that do neither exceed nor are unrelated to the commitments of developing country and LDC members of WTO...”
- 10) Origin: Deliberations of the United Nations Conference for Trade and Development, UNCTAD X, Plan of Action, 18 February 2000, Bangkok, Thailand  
Proposal: “ The impact of the WTO commitments on national policies for SME development, particularly those facilitating market access, has yet to be assessed. In addition, environmental and health-related standards may affect exports by developing country companies and SMEs to countries in which these standards have to be met. Some LDCs have already experienced export losses. Participation of developing countries in standard setting needs to be enhanced.”

### **III. More effective participation in financial and trade-related decision-making processes**

The Report of the Secretary General (A/AC/257/12) in para. 81 calls for enhancing contributions to the Trust Fund established in the context of the Integrated Framework, whose objective is –inter alia- to enhance the capacity of developing countries in the negotiation of trade policies. It also calls WTO members to expand the scope of the Integrated Framework to cover particularly countries of Africa, small island States, and landlocked and transit developing countries. It should be noted that several

recommendations to enhance the effective participation of developing countries in the decision-making process were recently considered and adopted- see particularly paras.129-139 of the Plan of Action-at UNCTAD X in Bangkok, 18 February 2000. To the same end, WTO is circulating regular briefing notes on developments in WTO bodies to members and observers that have no missions, or small missions, in Geneva. A one-week meeting is conducted annually for non-residents at which officials from capitals of non-resident Members and Observers are invited to Geneva for intensive briefings and discussions of WTO issues.

- 1) Origin: Deliberations at the G-8 Meeting in Genoa, Italy, 19 July 2001.  
Summary of the Proposal: The Italian Foreign Minister Ruggiero declared at the final press conference of the G-8 Ministerial Meeting that the Canadian Presidency has been asked to envisage an enlarged forum immediately after the G8 next year. This would be a “G-22” meeting to be held immediately after the Summit at which to compare notes and coordinate international commitments vis-à-vis the more severe challenges faced by less developed countries.
  
- 2) Origin: Deliberations of the Special High-Level Meeting of the Economic and Social Council with Bretton Woods Institutions held on 1 May 2001  
Presented to: Substantive session of the Economic and Social Council, July 2001  
Proposal (as reflected in para.38 of the summary of the meeting on 1 May 2001):”The Chairperson of the Financial Stability Forum said that with regard to representativeness of participation, it was vital that countries felt ownership, requiring the involvement of all those interested in the issues. Consultation mechanism had to be further developed so that all voices could be heard. Regional forums could play an important role in this regard.”
  
- 3) Origin: Summary of the Special High-Level Meeting of Economic and Social Council with Bretton Woods Institutions held on 1 May 2001  
Presented to: Substantive session of the Economic and Social Council, July 2001  
Proposal (as reflected in para.23 of the summary of the meeting on 1 May 2001): “The Chairperson of the Development Committee stated that trade needed to be leveraged for development so that countries receiving debt relief would not fall back into the debt trap. In this regard, international institutions should provide assistance in capacity-building so that these countries could take advantage of global trade opportunities. The World Bank could help in enhancing the negotiating capacities of the developing countries. ”
  
- 4) Origin: G-24 - Ministerial Communique, Washington, D.C., April 28, 2001  
Proposal: “ Given the complementary nature of this research with the research conducted by the Fund and the Bank, Ministers consider that it would be appropriate for the Bank and the Fund to supplement this assistance annually from their research budgets. This would help build capacity in G-24 member countries and contribute to better governance of the BWIs”.

- 5) Origin: G-24 – Ministerial Communique, Washington, D.C., April 28, 2001  
Proposal: ” Ministers stress the need for the BWIs to ensure that developing countries have a larger voice in the decision making processes of these institutions. They note that the workload of the chairs representing developing countries—particularly the African chairs—on the BWI Boards has increased significantly as a result of the PRSP process, the HIPC Initiative, and post-conflict and arrears cases. In this regard, Ministers welcome the recent decision of the Fund Board to increase the staffing of Executive Directors’ offices, and they urge the Bank Board to follow suit. Moreover, Ministers encourage the BWIs to enhance the representation of developing country nationals in the staffs of these institutions. “
- 6) Origin: Boards of the World Bank and the IMF, March 2001  
Presented to: various constituencies (as explained in the Proposal)  
Proposal: “The Bank and Fund are inviting contributions from developing countries, aid donors, and civil society organizations. Together with analyses by Fund and Bank staff, these submissions will serve as background to an international conference on the PRSP approach to be held in Washington, D.C., in January 2002. Papers prepared for the review will be publicly available. In addition to the international conference, there will also be regional country events to ensure that voices from within PRSP countries are adequately represented. The PRSP review, and a companion review of the IMF’s Poverty Reduction and Growth Facility being conducted in parallel by the Fund, will be presented to the Executive Boards of the Bank and Fund by endorsing changes in the PRSP framework in March 2002.”
- 7) Origin: Report of the Regional Consultative Meeting on Financing for Development in the African Region, and Preparatory Meeting for the Third United Nations Conference on Least Developed Countries, Addis Ababa, 15-17 November 2000  
Presented to: FfD-Preparatory Committee, February 2001.  
Proposal: “Another critical suggestion was effective participation by African countries, particularly least developed countries, in global trade negotiations, including the international standard-setting organizations. To this effect, the provision of capacity-building support by developed countries is critical in the following areas(...) building capacity in trade negotiations in order to defend and advance African trade interests. The Integrated Framework for trade-related technical assistance for least developed countries is critical in assisting least developed countries in meeting the challenge of integration into the global economy. Its effective implementation, however, requires substantial funding, (...)
- 8) Origin: Development Committee, Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, 17 April 2000

- Presented to: Board of the World Bank  
Proposal:” The Committee urged the Bank to mainstream trade in its country assistance programs by providing greater financial and technical support to improve trade-related infrastructure and institutions, including building domestic capacity for trade policy and negotiations, and by undertaking a strengthened research program on, inter alia, trade barriers to developing country exports, the issues developing countries face in implementing the Uruguay Round Agreement and the complex links between trade and poverty.”
- 9) Origin: Report of the Second Committee  
 (A/54/585/Add.3 and Corr.1)  
Presented to: General Assembly 54<sup>th</sup> Session, 20 January 2000 (adopted by the General Assembly in Resolution A/54/198)  
Proposal: “[The General Assembly...] Strongly emphasizes the need for technical assistance, including legal assistance, to developing countries, through, inter alia, the newly established Advisory Centre on World Trade Organization Law and other mechanisms, to enable those countries to take the fullest possible advantage of the dispute settlement mechanism of the World Trade Organization, based on multilaterally agreed rules and regulations, and also in this context emphasizes that it is important for the United Nations Conference on Trade and Development to strengthen its technical assistance to developing countries, in particular the least developed countries, landlocked developing countries and small island developing States in this area;”
- 10) Origin: Executive Committee on Economic and Social Affairs of the United Nations, 21 January 1999.  
Presented to: General Assembly, UN System  
Summary of the Proposal: The design of the international financial architecture could introduce special incentives to develop regional financial institutions. For instance, common reserve funds could be given special automatic access to IMF financing and/or a share in the allocation of SDR’s, proportional to the paid-in resources. In the long run the IMF could be visualized as part of a network of regional reserve funds, and its operation could focus on relations with these reserve funds rather than on support to specific countries in difficulties. Moreover, regional institutions and peer review could also play a key role in surveillance, both of macroeconomic policies and of domestic financial regulation.
- 11) Origin: G-24 – Ministerial Communique, Washington, D.C., April 27, 1997  
Proposal: ” Ministers noted that the principles of good governance of nations include transparency, accountability, and the rule of law. They stressed that the intergovernmental financial institutions, in following these principles in their own operations, should adhere strictly to the mandates embodied in their respective Articles of Agreement. In addition, they called for

the fuller participation of developing countries in the decision-making process of the institutions, as well as in their management and staffing patterns.”

- 12) Origin: “Our Global Neighbourhood”, the report of the Commission on Global Governance.

Presented to: UN General Assembly, 1995.

Proposal: “To establish an Economic Security Council (ESC) to give political leadership and promote consensus on international economic issues, where there are threats to security in its widest sense. The ESC would have deliberative functions only; its influence will derive from the relevance and quality of its work and the significance of its membership. The ESC should be established as a distinct body within the UN family, structured like the Security Council, though not with identical membership and independent of it”. This idea has also been supported by the High-level Panel on Financing for Development in June 2001.

- 13) Origin: G-24 – Ministerial Communique, Bangkok, Thailand, October 1, 1994

Proposal: ” Ministers also stressed the importance of the Bretton Woods institutions broadening their staff recruitment base, so as to reflect varying educational backgrounds and practical experience while maintaining -- or even raising -- standards of excellence. Such broadening should provide greater opportunities for developing country candidates to enter the institutions at a variety of staff levels, and should ensure adequate representation of qualified staff from developing countries at senior staff levels.”

### **Additional References:**

In the search for the material presented above several proposals that appear relevant were identified but since their relationship to the intergovernmental process was less direct they have not been included above. What follows are some proposals by high-level authorities and a list of policy-oriented technical papers that deal –at least partially – with the increased and more effective participation of developing countries in the financial and trade-related decision-making processes. Many of the latter proposals were the result of the background technical work prepared at the request of intergovernmental bodies in particular the G-24.

### **Proposals by High-Level Authorities:**

- 1) Panitchpadki, Supachai, Deputy Prime Minister and Minister of Commerce, Thailand, ”Balancing competing interests: The future role of the WTO”, ( Article in “The Role of the World Trade Organization in Global Governance” edited by G. Sampson. In the same book, a similar proposal is made

in the article by P. Sutherland, J. Sewell and D. Weiner: “Challenges facing the WTO and policies to address global governance”) Panitchpadki suggests to establish a representative executive board in the WTO (or a representative executive committee arrangement) for balancing the decision-making efficiency and the requirement of consensus. In the same essay Panitchpadki proposes to establish in WTO a system by which the state of play of any ongoing negotiation in any group is immediately communicated to all member countries for information-sharing and ultimate decision .

- 2) Ricupero, Rubens, “Rebuilding confidence in the multilateral trading system: closing the “legitimacy gap” “,( Article appeared in “The Role of the WTO in Global Governance” edited by G.Sampson, ). In order to facilitate the accession to the WTO Ricupero expresses the need for more “streamlined arrangements, particularly for LDC’s, and arrangements to ensure that all acceding developing countries, including LDC’s, benefit from the relevant S&D (special and different treatment) provision of the MTA’s (multilateral trade agreements).”(p.56)
- 3) Michel Camdessus, then Managing Director of the International Monetary Fund, Remarks to the International Graduate School of Management, 27 November 1999  
(link:<http://www.imf.org/external/np/speeches/1999/112799.htm> )

Proposal: “(...) replacing the G7 Summit every two years by a meeting of the heads of state and government of the countries – approximately 30 at any one time – who have Executive Directors on the Boards of either the IMF or the World Bank. This would provide a fair and legitimate representation of the entire membership of 182 countries. As it would be attended by the heads of the two organizations, the Secretary General of the United Nations, as well as the heads of the ILO and WTO, it would offer a way of establishing a clear and strong link between these institutions and a representative grouping of world leaders with the greatest possible legitimacy”.

#### Policy-oriented technical papers:

- 1) Ahluwalia, Monika S., “The IMF and the World Bank in the New Financial Architecture”, in UNCTAD “International Monetary and Financial Issues for the 1990’s” . Volume XI, 1999. Ahluwalia talks about possible steps that could be undertaken in order to reform the IMF Interim (since April 2000 International Monetary and Financial Committee) and Development Committee with a view to a broader participation of emerging market economies in the decision-making process. Ahluwalia discusses the creation of a single overarching group at the Ministerial Level where the Fund and the Bank would be full partners and the WTO, UNCTAD, BIS and IOSCO could be permanent observers. The

- country composition of the new forum could be made wider than that of the Interim Committee.
- 2) Buria, Ariel, "Reforming the Governance of the Bretton Woods Institutions", paper presented at the G-24 Workshop on Financing for Development, 6-7 September 2001, Nigeria House, New York. Buria explains that a restoring of the share of basic votes in the IMF "to say 11.3 per cent of the total (...) would require a more than five fold increase in the basic vote of every member country (from 250 to 1323); restoring the proportion of basic votes per member to what it was in 1945 would raise the total basic votes to nearly half of total voting power (...). An intermediate solution that would partially restore the role basic votes were meant to have, would be to assign to basic votes say, 25 per cent of the total voting rights. In order to prevent the future erosion of the share of basic votes in the total, the Articles could be amended to include a provision by which in every quota review, total basic votes would increase by the same proportion as total quotas." Moreover, he proposes a restructuring of the Executive Board, modalities to protect the rights of minorities and a revision of the quota formulas.
  - 3) Blackhurst, Richard, "The Capacity of the WTO to Fulfil its Mandate", in Anne Krueger (ed.), "The WTO as an International Organization." University of Chicago Press. Blackhurst suggests a larger and more activist Secretariat, in which the smaller and poorer countries are adequately represented. Another suggestion is that the WTO should itself provide funding to enable each country to keep a minimum number of professional working full-time on WTO-activities.
  - 4) Griffith-Jones, Stephanie with Kimmis, Jenny, "The BIS and its role in International Financial Governance", in UNCTAD "International Monetary and Financial Issues for the 1990's" . Volume XI, 1999. Griffith-Jones and Kimmis come to the conclusion that it is important to ensure the participation of developing countries in the Board of BIS, ensure greater and more formalized participation in monthly meetings of central bank governors, increase participation in the three key Basle Committees on a formal basis and increase the number and types of developing countries included in BIS and the Committees.
  - 5) Helleiner, G.K., "Developing Countries in Global Economic Governance and Negotiation processes", Paper for WIDER project on the new role and functions for the UN and the Bretton Woods Institutions directed by Professor Deepark Nayyar. After analyzing the disproportionate influence of some countries in agenda setting and choice of forums , Helleiner proposes the revival of the Group of Twenty (with the same number of developed and developing countries). The Group should not function solely as a Committee of the IMF Board as it did in the past but as an intergovernmental Task Force answerable and reporting not only to the IMF but also to the World Bank, the BIS, IOSCO and the Economic and Social Council of the United Nations.

- 6) Helleiner, G.K., “A Conference on Finance and Development?”, in “International Finance and Developing Countries in a Year of Crisis” ed. by Barry Herman and Krishnan Sharma. Helleiner analyzes current decision-making structures. In order to reform the latter he proposes a global conference as a useful starting point towards a more effective process of change. He complements his proposal with four – not necessarily mutually exclusive- options to improve the global economic and financial decision-making process.
- 7) Michalopoulos, Constantine, “Developing Countries’ Participation in the World Trade Organization”, March 1998, (paper available at World Bank )  
To make their participation more effective, Michalopoulos recommends that the developing countries establish adequately staffed WTO missions based in Geneva; failing that, pooling their resources and representation in Geneva; and being sure to pay their dues, which are typically small. He recommends that the international community place higher priority on programs of assistance in support of institutional development of poorer countries aimed at enhancing their capacity to participate in the international trading system and the WTO- and that the WTO review its internal rules and procedures to ensure that inadvertently they do not make developing countries participation more difficult.
- 8) Michalopoulos, Constantine, “WTO accession for countries in transition”, June 1998 (paper available at World Bank), To help expedite the procedural aspects of accession Michalopoulos suggests that WTO members “should consider increasing very substantially the resources made available to the WTO secretariat in assisting acceding governments in the preparation of the original memorandum and in the design of legislation and regulations that would enable them to meet WTO obligations. This need not entail large increases in the WTO secretariat staff. It can be done by setting up a special trust fund earmarked for technical assistance in support of accessions, say of the order of \$4-5 million for the next three-five years..”
- 9) Mistry, Pierre S., “Resource Mobilisation: Policies on Borrowings and Guarantees”, Ch.3 in “Multilateral Development Banks”, Mistry proposes a more automatic increase in the capital of the World Bank and regional development banks to do away with the contentious negotiations that take place every five years and that are largely dominated by donor shareholders. He proposes an automatic increase in callable capital which will increase total capital each year by a multiple of retained earnings accumulated that year.
- 10) Mohammed, Aziz Ali, “The Future Role of the Monetary Fund”, in G-24 Discussion Paper Series, No.11, April 2001.  
Mohammed suggests a change in constituency representation on the Executive Board of the IMF by which the European countries would agree to cede one or more of their chairs to the sub-Saharan African countries. Furthermore, Mohammed contemplates changes in the quota – formula towards a group-Focused Approach. A group criterion (rather than a country-focused one) would

take into account the degree of volatility in private capital movements and/ or the extent of integration into global capital markets as variables in order to give greater weight to the emerging-market economies.

- 11) Oyeide, T.Ademola, “Interests and Options of Developing and Least-Developed Countries in a New Round of Multilateral Trade Negotiations”, in G-24 Discussion Paper Series, No.2, May 2000.

Oyeide calls for a more aggressive use of technical assistance that should be focused on the “key human, knowledge and institutional capacity-building needs of the low-income members of the WTO”. To this end he suggests the opening of new WTO regional offices in Africa, Asia and Latin America.

- 12) UNDP, Human Development Report, 1994,

"A further step in strengthening the UN role in sustainable human development would be the creation of an Economic Security Council - a decision making forum at the highest level to review the threats to global human security and agree on required actions. The council must be kept small and manageable. Its membership could consist of 11 permanent members from the main industrial and more populous developing countries. Another 11 members could be added on a rotating basis from geographical and political constituencies. An intermediate alternative would be to extend the mandate of the present Security Council so that it could consider not just military threats but also threats to peace from economic and social crises.

For this purpose, it may be necessary to establish a separate entity within the council-one with an enlarged membership and a new role in socio-economic security. Another possibility would be to use the Economic and Social Council-establishing within it a small and manageable executive board that could meet in permanent session and make decisions to be ratified later by the entire body. The voting system in an Economic Security Council should not include a veto. But to reassure all constituencies that their legitimate interests would be protected, the voting system should be to have all decisions ratified not just by a majority of all members but also by a majority of both the industrial and developing countries. As well as coordinating the activities of the UN agencies, the Economic Security Council would act as a watchdog over the policy direction of all international and regional financial institutions. To implement its decisions effectively, the council should have access to the global human security fund proposed earlier. The council would need to be backed by a professional secretariat to prepare policy options for its consideration."

- for further related material see Luck, Edward C. “A Review of UN-Reform-Related Projects Supported by the Ford foundation 1985-1996” , July, 2001; and document WGUNS/CRP.3/Add.3 of the “Open-Ended High-Level Working Group on the Strengthening of the United Nations System”, April, 1996.

**Note:** The full text of all the proposals (and corresponding quotes) identified on pages 2-13 can be found on the FfD-website under <http://esa.un.org/ffd/policydb/> with the exception of the G8-proposal on page 10 (which has been made in front of the press and is not part of an official document) and the Joint World Bank and IMF proposal on page 11 which is available at <http://www.imf.org/external/news.htm> .