

Global Roundtable Transcript

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N: Welcome to the Global Roundtable organized by Global Foundation for Democracy and Development. Today we have the pleasure of the company of Mr. Victor Ovalles Santos. Welcome to the Global Roundtable, Mr. Ovalles, it is the pleasure to have you here.

V: Thank you very much, Natasha.

N: So Victor is a good friend because we have met him at the United Nations often. He is very active in the area of economic governance and financing and development. As a matter of fact, he is the G77 coordinator for economic governance and financing for development. We would like to start this conversation which will be focused mostly on financing for development by asking you what is actually financing for development and why it is important.

V: Thank you very much indeed. I would say the first word that comes to my mind is solidarity and the certainty that larger collaboration and joint effort among all nations is what brings the larger and more sustainable growth and prosperity for mankind. So essential I think the spirit of Monterrey is the spirit of inclusiveness, the spirit of sharing, knowledge and opportunity and it is the period of trying to defeat the larger challenges of mankind in terms of eradication of poverty, of hunger, of inequality and for that we use the tools that we have, the tools that we have developed along the time, the tools of science, technology and the good will of nations.

N: Thank you and let's talk about these tools and what is needed for these tools, right? Financing implies financial resources, money that has to come from developed countries to developing countries. What has been experienced until now? What have been responses from developed nations to developing nations? And what is the situation right now?

V: Monterrey conference included a very important chapter which is a systemic chapter that speaks about common goals that we have in international arena: to have proper regulation, proper rules, clear for trade, for debt mechanisms and so on. I would say first that it not only provides a field for financing, for what is to say cash transfers, or what is known as the ODA, the official development assistance, but also is a larger platform. As you may know, trade has been a fundamental tool for developing nations to attain development since 1960 and UNCTAD was a good example of that.

Developing nations have made substantial progress through access to better tools to develop nationally with the advantages that exporting commodities or more added

value products. Of course, increasingly along the time as we see in examples Russia, India, China (BRIC), emerging nations, but I would say that in the discussion, the ODA plays a very important part.

N: Sorry for interrupting but for our audiences, let us clarify that the ODA is Official Development Assistance, right?

V: Yes, indeed. The Official Development Assistance and the ODA would be an acronym. You would find out that you many dozens even hundreds of acronyms that of course you have been able to changed among colleagues, diplomats and delegates here, in the UN. So ODA is a very important part of Monterrey, it is very important for developing nations, particularly for Africa. Sometimes in particular countries in Africa it counts up to a very important amount of the national revenues and also it is a tool for mobilizing other resources nationally, domestically.

Sometimes the issue of the development is where to get the financial resources available to make a fundamental step forward in terms of your economic model, and industrial capacity. So sometimes that financial assistance could be a seed and could have a multiply effect over a long time. So in that cooperation it is tremendously important not only from the financial point of view, but also from the technical cooperation and the technology transfer indeed.

And then trying to go back to your question, it was included all this insight, indeed, but I would like to say that discussions on these issues have been challenging at some points. There is an ongoing financial crisis globally that has posted important constraints on developing nations, we see a lot of adjustments and fiscal policy, tightened national budgets and of course that has an impact on the ODA. We could say that the highest point in recent years happened at Doha Conference on Financing for Development in 2008 and immediately after the Conference, 6 months after the Conference, we had a peak. Of course, it has been under pressure and debate, the usefulness, the importance and that we should move to new and different mechanisms for financing for development.

N: It is interesting to know that 2008 was precisely the year of crisis and you said it was the peak of the ODA. So is it a good sign, does it give us hope and faith that it could be a good sign for the world community?

V: I would say that it was more attached to the fact that Doha Conference was able to bring together a very large amount of political leaders that brought together political will. As a result of that, the ODA continues the trend of uprising but definitely, what has impacted it more dramatically, the current trend which is negative - it is the financial crisis. Financial crisis has created tremendous stress on developing nations and also developed countries, so it has posted a common challenge for all and it needs the work of all to be overcome. We have important steps forward and ideas coming out of 2009 Conference of Financial Crisis and its impact on development, an initiative of the President of GA Father Miguel D'Escoto-- and the G77 continues to advocate for that. We look in a constructive way, for channels for dialogue. As I say, solidarity, common work, common principles are

fundamental. Of course, the discussion of the principles many times is divergent in the views and it is a matter a rule, we are waiting for the upcoming scenarios to keep building up, politically.

N: You mentioned Doha. Before Doha there was Monterrey in 2002. I had the pleasure of being there and I can remember the excitement, hopes and the world was really hopeful for changes. 0,7% was discussed so often and it was brought to the forefront of the international debate which is the international agreement of the countries to give 0,7% of GPA to developing countries. What is the biggest achievement of the Monterrey Consensus?

V: On this, there are different views and perspectives. I will try to summarize some of them. On the one hand, many said that the idea of having in front decision makers at the highest level, and also the representatives of international financial institutions plus the academia and civil society in a very innovative way was definitely a contribution of Monterrey, the discussion at different levels, from the policy discussion to a very practical and small detailed implementation in a far place in Africa or in Latin America. That is an added value, which is a wide and enriching discussion.

N: So you would say that Monterrey was a historical moment when this question was brought to the highest political level?

V: We would have to say that policies of 1960s-1970s since the new international economic order, there was not such a divide on economic governance, on financial issues in the United Nations. So indeed Monterrey process was fundamental, there were tremendously effortless or full of effort negotiators involved, very distinguished, ambassadors, delegates, diplomats, civil society, academics. I had the honor to meet with many of them, I learnt from many of them and indeed I believe Monterrey was a historical opportunity. Doha continued building up on that idea but it was not only the ODA. The ODA was a fundamental issue and expression of that solidarity but I would have to say that the systemic chapter, systemic discussion, overall view involving trade, debt, set of rules that are necessary to make possible, which are the correct conditions that are necessary to make it happen. It is not only a question of money, it is a question of systemic approach, and it is a question of a larger list of issues. I believe that Monterrey, Doha and the follow-up on financing for development have many more other opportunities to bring fruits and I see with hope and certainty the ongoing discussions at the next GA how to better implement its follow-up.

N: You work with the G77 very actively and you talked about different tools and a systemic approach. From your experience working with developing nations, what would you say successful tools have been; what are some good practices and success stories that have happened, so that we can not only complain about the lack of financial assistance but also say, yes, on a systemic level changes have happened; on the approaches changes have happened, and tell me what else?

V: I think it will take quite some days to go through on the whole amount of developing cooperation projects that are ongoing. If I just simply take an example and if I think of an UN agency which is involved in the development cooperation, I would have to mention UNDP, United Nations Development Program. It is an organization that probably mobilizes or is related to the mobilization of \$22-\$24 billion per year which from \$130 billion that are annually allocated to ODA, I would say it is significant. So UNDP is a good example and UNDP has more than a hundred country offices in each nation. They work on national programs, collaborate closely with national governments, follow national legislation and national priorities because that is the key point. When you find the partnership, the partnership has to involve both sides for you, what is to say the more effective and efficient investment, that creates capacity and contributes to the government, is the one that is aware of the national particularities and the national reality it is working with. The UN has done a very good job in that regarding UNDP, through the regional bureaus, and also in New York in the executive board of UNDP. So here would be one of the best examples. It goes from projects on water management, crops and financing for education which is probably a fundamental area. UNESCO is very involved in that but we have contributed from New York with several documents, ministerial declarations to that effort. You could also step in to the idea of financing for social development, what is to say not only looking to growth, or into employment or microeconomic indicators and also look at the social dimension and the human dimensions and then you are getting to human development. That is probably the approach which is more interesting taking into account that we are speaking about lives, lives of people in the developing world ahead. We are thinking about millions of persons that have to struggle to live with \$2 per day and just simply try to imagine that situation that you have to walk several miles or to get water or to have proper sanitation.

N: Technically assistance has been very helpful. And often not very costly, right?

V: I would say that sharing knowledge is a fundamental tool. Knowledge can enlighten someone else and probably give guidance of what has been more efficient. And we constantly know from experience of the other and I think that is something you find a lot in the South-South cooperation, the cooperation within the South. Not necessarily it is based on financial contribution.

N: And it is growing.

V: It is based on solidarity. The discussion has to be separated because one of the issues that the G77 advocates more strongly is the idea that in the process of development, developed nations have the opportunity to do it through a massive accumulation of capital and also of natural resources coming from developing nations. There was a very important ecological footprint for that development that nowadays countries could see in OECD. But when you see the opportunity for developing countries you see that there has been more scarcity in terms of

availability of financial resources, capital to foster that development. That is why common but different responsibilities have a place in this discussion. And that is why different speeds have to apply because even some nations are emerging and we are very happy and proud of that because that is an example that different ways and different models to achieve development are possible and are good and can coexist. Diversity is good. But at the same time we cannot forget that there are very important challenges in terms of millions or hundreds of millions of people who are still fighting with poverty in those nations. Then we cannot assume that a nation that has come up from extreme poverty or from low income country to be a middle income nation is ready to be a top donor or collaborate in the development collaboration scenario under the same principles. If I had my colleagues here from developing nations that would strongly argue with me and try to convince me but I think that is one of the things that the G77 has been keen. We would definitely like to say we have achieved the final stage of development; we have everything that we need to warranty to our people better possible conditions.

N: Now that you mention there some recipient countries that have actually passed to be donor countries. So there are examples like that in international development?

V: I would say it is not conclusive. We could not automatically say. Maybe an example of South Korea which is a nation that has a very fast process of development. It was a member of the G77. It is not the member of the G77 any more. Everyone is aware of the strength of the growth in Korea. But there are very few examples. We would have problems even to start making a list beyond this example. But it is an ongoing discussion. The important thing is that we all acknowledge that the UN is a proper forum for having this discussion, that it is the larger inclusive international for having this discussion where small and large are represented, and particularly the issues that effect the development and the needs of the poorest. I think the role of the United Nations is unquestionable and its contribution too.

N: Let me ask you about the ODA. How many countries are actually fulfilling 0,7%? What is the situation currently?

V: Instead of making a list, because lists are always exclusive, you mention some, you exclude others. I would have to mention that, for example, the Nordic countries have fulfilled the target.

N: For a long time. It has been a tradition almost.

V: indeed. They have a very good way of combining, a very competitive economic system and also that is not an incompatible solidarity and social responsibility. Then you have European nations which I would say from the information OECD and the European Commission publish, it is between 0,4%-0,5%. Of course, the current situation in Europe is hard and it was put a lot of pressure there but still there are examples of solidarity and that commitment has stayed because all contribute to overall health of the international financial system and its governance. And then of

course probably a very polemic discussion will touch base on the US, the largest donor but at the same time the figure related to its gross international product is lower, I think it would be something around 0,2% or 0,3%. But the importance is that all nations are doing something, and that together we can do more. The G77 whenever we present our ideas and proposals, we are looking at the end of the day is going beyond the divide and construct bridges of dialogue and buildings of trust and from the United Nations to contribute for a better world, more prosperous for all.

N: Thank you, Victor. I would like to introduce Margaret Hayward who is here with us here today too. Margaret is our manager for outreach, communications and our liaison with the United Nations. You mentioned the current financial situation and the structure, and the governance. And I think Margaret has a few questions in that area.

M: Yes, I wanted to ask you to touch on reform, especially the international economic system has become a huge global casino. Fortune worth transactions are made within a click of the mouse without being regulated properly. With this irresponsible way of operating the international financial system, are there any ideas presented within the UN framework and how they are going to be implemented?

V: This is an excellent question, Margaret. Thank you for it. We would have to go to 2009 and acknowledge that the United Nations had a conference at the highest level on financial crisis. Recommendations from the conference have been implemented by the United Nations and they have gone even beyond to many foras and it has been incorporated international policies and plans. I would have to say that the financial economy or financialization of the economy, so called casino economy, collapsed in 2008. And indeed that way of creating wealth, could be called the way, has shown that it was unsustainable long term. It was probably the strongest call to focus back on the real economy, on the size where the real wealth can be created and also the wealth that is related to job creation that is created to prosperity in the long term. Financialization of the economy is broad and it would be a topic that we could speak largely. It has brought a lot of distortions and imbalances in the global economic and financial system and its governance, and architecture. There is common will and common agreement among all countries that more regulation, better regulation is necessary and is needed and many policies have been implemented in that regard. The discussion is who pays the bill. So far citizens have been paying the bill. So far social policies and programs have been paying the bill, and for the mismanagement of the financial sector. I would be blind; it would be not true to blame the whole sector of the economy for that. The financial sector has a role to provide the liquidity, to dynamize the economy and of course working closely in a public, private partnership for creating wealth and well being for the citizens. I think it was the problem of certain elements misregulated. It is a large discussion and I am trying to incorporate many views within, not just simply single one. There was an abuse of certain rules and opportunities. This discussion can go on for a long time. We are looking forward to fostering in the United Nations a

common platform for better economic global governance that incorporates views from developing nations in a way which is constituent with the acknowledgement of the reality and the systemic importance of certain economies. I think in the end of the day, lack of regulation, casino economy is good for no economy because it is a short time game, creating a lot of instability, and when it clashes, when it collapses, then it is people who pay the bill. And we see a lot of social cuts and spending. The end of the model that was associated with bringing prosperity. I think it is not a blame game. I think trust is necessary for the system to work. But for that the proper regulation is necessary to be put in place. Here we could start speaking about better cooperation among central bankers, financial institutions. There is a large discussion about the role of the *Basel Committee (*on Banking Supervision), how much and how far these international institutions based in Washington, depending what institution, are responsible or not, or to which extent, for the financial crisis to repure. There is a common agreement among experts that there was not sufficiently and timely advice that the collapse would happen. There was a stronger critic that was given to those institutions. It would trigger an important process of reform that has been followed very closely from the G77 perspective.

The main message there has been that larger voice and participation for developing nations is necessary because there is a need and an increasing role, for example, of the BRICK and of the developing nations as a whole in the international financial and economic system. The current structures, is the view that do not reflect fully the change of how the global economy has evolved. The discussion is ongoing; it has been praised by some and criticized by others. Praised because it has been a movement on 3, 4 or 5% of the shares. Of course it is a small portion. It is a lot to work ahead but it is a small progress. It has been criticized by others, the G77, because that reform has been done sometimes at the expense of developing nations.

There are more than 20 developing nations that in the last quarter of reform of 2010 were affected by such a reform and they lost their share. And that is probably the complexity of the issue. But indeed there is no doubt about the relevance of global economic governance discussions, the most inclusive as possible and the UN offers the opportunity of the rule-based, universal organization that is well-placed to contribute to the discussion, including other fora.

My view is that we are in the position to make progress and walking to a new step of better regulation, better policies, more collaboration, if we are able to find commonalities and basic principles that will allow us to tackle this crisis which is effecting all and to avoid an instability that it would be of great threat not only to developed but to developing nations, particularly the quality of life of people because that is at the end we have to understand policy discussions about regulations, reform, voice, representation, has an impact on the daily life of individuals.

N: They are the end users of the policies.

V: The rate of interest we pay for money and then if the money is more expensive, there are budget cuts, there is less money for education, less money for innovation, less money for science and technology, and that is the future. The future of the generation we build, the young people, the young adults that are going, they are future generations and of course then the global economy and the global economic model is changing fast, so at the end the call is simple, there are simple ideas – more financing to education, more financing to science and technology which will bring more prosperity for all and that prosperity will be shared globally.

N: Thank you, Victor, so much. And just briefly before we close, let us address another collapse. We talked about the collapse of financial institutions and financial regulations and systems, we are also facing another collapse which is the collapse of our environment. And that has also affected financing for development. The conference in Copenhagen has talked about additional hundred billion dollars needed for developing to face that. So what is the situation now? How has the ecological situation effected the economic development and financing for development?

V: The discussion is just starting, it would be preempting discussions we are going to have in the UN to try to express the conclusion ahead. But definitely on the issue of how to finance the economic model with a more sustainable dimension as, of course, is related to the discussions you were pointing out and in climate change, and in post Rio, I would have to say focusing only on the financial dimension that definitely the financial occasion of resources has to come from existing sources, innovative mechanisms, as has been discussed in the framework of Doha and Monterrey and within those innovative mechanisms we would have to look, for example, at taxation, this financial tax and then probably we would be getting to the discussion which is more consensual.

Because when you speak about the green fund, many will say that it is quite empty and many will say that going in that direction will bring challenges because it will bring the question where the money is coming from. So many will say that that money came from trade, from existant the ODA commitments and particularly more than trying to find more resources is an environment of scarcity. We should try to focus on transfer of finance, transfer of technology, and in the creation of developing nations of that technology because the whole idea of financing, transferring liquidity that goes from south to north as in the sell of commodities, coming back in terms of international cooperation. The whole idea is to contribute to that development model in the south and maybe it is not only about money. Maybe the role of science and technology is even more important and it is going to be even more important in the future.

N: So let us say more transfer of software than hardware?

V: I would say that is the point. I would say that definitely existing commitments have to continue, have to be implemented, have to be fulfilled attached to the

discussion that we had before but probably in the direction and in the possibility of building up a new partnership. The role of science and technology can be the bridge because collaboration between north and south and this dimension will bring long term prosperity. It will no longer be a matter of transferring cash and money like assistance, the old way fashion to contribute but it would be a partnership that can evolve, that create wealth in the south, wealth in the north, it can be seen as a way of cooperation of solidarity but also an interest.

N: And it has a great multiplying effect as well.

V: Indeed in the future if we continue to face this ongoing scenario of crisis and scarcity, definitely without the commitment to continue working together because at the end of the day the ODA is a very small expression of one thing, that there is good will and that we want to work together in solidarity and that we care about each others' problems and that is the expression. And then it builds the platform for discussing real issues which is the platform for trade, which the discussion regarding technology.

N: Thank you, Victor, on this very positive note, we are going to close the conversation with you and thank you for coming over here and we hope to continue working with you on the issues that are of interest to you, to us and the whole world I believe.

V: Thank you very much, Natasha, and I hope this short dialogue has served to what a dialogue in its original idea means which is to create knowledge.

N: Thank you so much, Victor. Thank you so much, Margaret. Thank you for watching the Global Roundtable. Today we had the pleasure of the company of Mr. Victor Ovalles Santos who is the Coordinator of the G77 in the area of finance, development and global governance.