



## Reaching effective consensus: Monterrey and the development agenda

*How best can the needs and demands of rich and poor countries be reconciled in efforts to foster development? The Monterrey Consensus provides guidance—but also points to serious obstacles in international negotiations.*

Recent international conferences have reflected a renewed interest in development. Among the most notable have been the 2001 Ministerial Conference of the World Trade Organization in Doha, Qatar, which launched the “development round” of talks on trade liberalization; the 2002 World Summit on Sustainable Development in Johannesburg, South Africa; and the 2002 International Conference on Financing for Development in Monterrey, Mexico, which resulted in the Monterrey Consensus on the international agenda for development.

The Monterrey Consensus focuses on increasing international cooperation to reduce poverty in developing countries by:

- Improving policies and outcomes in these countries.
- Delivering more—and more effective—aid from donor countries.
- Improving market access for exports from developing to industrial countries.

Advocates of the consensus see it as evidence of a stronger voice for developing countries in issues related to their development and of a renewed commitment by industrial countries to increase aid and market access. But critics claim that the Monterrey Consensus is little more than artifice—and that deep rifts between rich and poor countries prevent tangible progress.

Moreover, some observers have noted that despite broad areas of agreement, crucial

issues remain outside the discussion. Others go further, saying that even if the Monterrey Consensus represents a new commitment to development, the effort is ultimately futile because the development model it promotes is fundamentally flawed. This note examines these issues and concludes that, though far from perfect, the Monterrey Consensus offers a genuine opportunity to forge a global partnership for development.

### Is the consensus fair—and feasible?

The Monterrey conference was a significant step in advancing the development agenda. Developing countries claimed responsibility for their development, while industrial countries pledged financial assistance to make that development a reality.

The document that emerged from the conference—adopted by nearly 200 countries—addresses donor countries’ concerns about lack of accountability among recipient governments as well as recipients’ complaints about insufficient aid from donors (box 1). Although the UN Millennium Declaration of 2000 established broad consensus on the Millennium Development Goals, a commitment to the actions and financing required to achieve them was lacking. Monterrey forged that commitment—and established a structure of accountability for both industrial and developing countries.

“It should be the responsibility of the Bank’s Development Economics Vice Presidency and PREM Network to start rethinking the development agenda.”

—Robert Wade, Professor of Political Economy, London School of Economics

## Box 1 ELEMENTS OF THE MONTERREY CONSENSUS

The Monterrey Consensus is the product of the International Conference on Financing for Development, sponsored by the United Nations and held in Monterrey, Mexico, in March 2002. The conference brought together 50 heads of state and government, major intergovernmental institutions, and private sector and civil society leaders to discuss development challenges.

Almost 200 countries agreed on the “Final Outcome” document drafted at the conference. This brief but wide-ranging document forms the basis for the consensus, calling for a global partnership between industrial and developing countries to ensure that globalization results in sustained, equitable development for all the world’s people. In addition, the document declares the achievement of long-term, pro-poor growth and the Millennium Development Goals essential for raising living standards in developing countries. Vital to such efforts are:

- Developing good governance and democratic institutions.
- Sustaining sound macroeconomic policies.
- Implementing effective social safety nets.
- Mobilizing foreign and domestic investment.
- Liberalizing trade and increasing market access.
- Increasing the amount and effectiveness of official development assistance.
- Making debt burdens sustainable.

The document also calls for continued engagement to make the consensus operational—including annual reports on its progress and a follow-up conference by 2005.

But the news is not all good, and there is reason for skepticism about the agreement’s structure and its chances of becoming operational. The first seven Millennium Development Goals are primarily the responsibility of developing countries, while only the eighth (forming a global partnership for development) falls mainly on industrial countries, as noted by Evelyn Herfkens of the United Nations.

Furthermore, the first seven goals include an elegant system of targets, indicators, and timelines for monitoring progress. But the eighth goal—and the increased aid and trade reforms among OECD countries needed to achieve it—has no commensurate targets and timelines. Herfkens has noted that within the World Bank and other development institutions, an “army of people” is tracking developing countries’ progress. Yet no similar group is monitoring donor countries’ obligations.

The structural imbalance of the consensus has led some observers to question its potential for implementation. Many doubt that industrial countries have the political will to counter entrenched producer interests favoring trade barriers or to increase foreign aid to the stated goal of 0.7 percent

of GNP. Formalizing indicators and monitoring the dates by which industrial countries boost market access to developing country exports and achieve the 0.7 percent goal for aid—in the same way that the first seven Millennium Development Goals are being quantified and monitored—would be a useful step toward effective implementation of the Monterrey Consensus. But as World Bank President James Wolfensohn has said, the essence of a global partnership for development is not in its quantifiable targets, but in the goodwill needed to make it a functional agreement.

The imbalance in the consensus also reflects a larger problem: limited voice for developing countries in development issues. Many critics have noted this lack of voice in the governance structures of international financial institutions, and so have expressed support for reforming these structures. Yet calling the Doha conference the “development round” and support for the Monterrey Consensus show that the voice of developing countries is increasing.

More important, the consensus shows that developing countries will push forward regardless of the halting cooperation of industrial (OECD) countries. Indeed, for Ariel Buira, director of the G-24 Secretariat, the Monterrey Consensus is not so much an attempt at a balanced contract but a recognition by developing countries that “their development is their own responsibility,” with necessary complements provided by industrial countries in the form of increased aid and market access. Monterrey leaves no doubt—getting its house in order is the developing world’s top priority.

### A consensus to move in the wrong direction?

Another criticism of the Monterrey Consensus goes beyond merely insisting on a balanced contract, instead assailing the development approach embodied in the consensus. These critics claim that even if the consensus were a balanced contract between industrial and developing countries, it would merely be a consensus to move in the wrong direction.

In its focus on the Millennium Development Goals and their myriad quantifiable indicators, has the Monterrey Consensus forgotten the vital importance of growth? Although growth is implicitly required to achieve the development outcomes specified by the Goals, there is a danger that overemphasizing the Goals will detract from efforts to promote growth.

At best, looking at each Goal individually poses an obstacle to promoting comprehensive, multisector approaches to development. At worst, overemphasis on the Goals as isolated indicators to be achieved on a fixed timeline smacks of target planning in the mold of former centrally planned economies. The temptation to portray achieving the Millennium Development Goals as a direct product of increased aid could detract from a more sophisticated understanding of how economic growth affects efforts to reduce poverty and advance human development. Thus the World Bank must remember its role: as Geoffrey Lamb, the Bank's vice president for resource mobilization and cofinancing, has said, "Our job should be to make poor countries and low-income countries into normal countries, that is, countries which have endogenous and reasonably effective processes of capital accumulation and growth."

The Bank should not allow the Monterrey Consensus to be misconstrued as a quid pro quo—money given by industrial countries in exchange for reforms and accountability in developing countries—which would essentially amount to "old-style conditionality come back," in the words of Shanta Devarajan, staff director of the Bank's *World Development Report 2004*. Development cannot be bought so easily.

Some critics go beyond these concerns, issuing broad indictments of what they consider the misguided and ineffective free market fundamentalism implicit in the prevailing model for development. These critics are correct in pointing out that many successful (former) developing economies—particularly in East Asia—have diverged from orthodox policy prescriptions in recent decades. But by calling the development

model embodied in the Monterrey Consensus nothing more than free market fundamentalism, they paint an unfair and unrealistic caricature. Still, the persistence of these critics is a reminder that it is always wise to continuously question basic assumptions, and that policies often considered taboo—among them protection for infant industries, selective industrial policies, and capital controls—merit further evidence-based analysis.

### Silences in the consensus

A consensus as broad as that adopted at Monterrey is often as significant for what it excludes as for what it includes. The impact of the consensus could be undermined by the absence, or at least underemphasis, of several themes considered fundamental to economic development. The vital role of economic growth has already been noted; other "silences" in the consensus include private sector development, foreign direct investment, and technology and knowledge transfer.

Economic growth in developing countries cannot occur without a vigorous private sector supported by foreign direct investment. Underscoring the lack of focus on growth at the Monterrey Consensus, therefore, are the forgotten roles of the private sector and foreign direct investment. Although both are mentioned in the document adopted at the conference, they have—in the view of some critics—received scant attention.

Given that foreign direct investment in developing countries is five times official development assistance, the development community overlooks such investment at its peril. In its efforts to achieve the Millennium Development Goals, the Bank must take a leading role in forging public-private partnerships and ensuring that foreign direct investment is spread equitably throughout the developing world.

Another element of silence in the consensus is the vital role of knowledge and technology transfer in providing a foundation for sustained economic growth. As Devarajan says, policy and institutional reforms in developing countries are insufficient without the ability to scale up output—an abil-

"The credibility of the package this time around very much depends on the extent to which we become serious about the obligations... of OECD countries."

—Evelyn Herfkens,  
Special Adviser to the UN  
Secretary-General

“Development is going to happen as a result of a very close partnership between the private sector and the public sector.”

—Shahid Javed Burki, CEO,  
EMP Financial Advisors

ity that only knowledge and technology transfer can provide. Yet the Monterrey Consensus glosses over this vital issue, an indifference that could limit economic growth and undermine the effectiveness of the consensus. In response, Devarajan has called for a “systematic effort by the donor community to effect that knowledge transfer.” Future international forums should focus more explicitly on private sector growth, foreign direct investment, and knowledge and technology transfer to the developing world.

### Any consensus on the consensus?

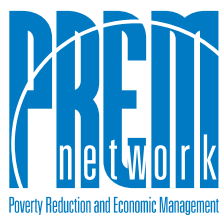
Wide-ranging criticism of the Monterrey Consensus suggests that the “consensus,” if not an outright misnomer, will at best require significant political maneuvering and resolve to ensure its proper functioning. Indeed, if there is agreement on anything, it is that industrial and developing countries have not yet arrived at the type of contract that, to paraphrase Bank President Wolfensohn, can be put in a drawer and forgotten because it works so well. As Herfkens has concluded, “the essence of all this is political will.”

Still, healthy skepticism should not give way to outright cynicism. The flaws in the consensus are not sufficient justification to condemn the entire approach or to scrap efforts at implementation. Instead, they pro-

vide cause to push for more (and more effective) aid, better policies and institutions, and increased market access for the developing world—in short, to make the promises of Monterrey functional. As Lamb has said, despite the many reasons for pessimism, the political moment is propitious: “It has become possible to hold industrial countries to account for some things in a way that was just not on the agenda before...and we have to capitalize on that, highly imperfect and highly sporadic though it is.”

*This note was written by John Page (Director, Poverty Reduction, PREM Network) and Todd Pugatch (Junior Professional Associate, Office of the Vice President, PREM Network), based on the PREM Conference Plenary Session, “Partnerships for Fairer Development—Building an Effective Consensus: Monterrey, Doha, and the World’s Poor,” held 15 April 2003. All quotations in this note are drawn from that session. The session’s moderator was John Page; the panelists were Evelyn Herfkens, Shahid Javed Burki, Ariel Buirra, Robert Wade, Shanta Devarajan, and Geoffrey Lamb.*

*If you are interested in similar topics, consider joining the Pro-Poor Growth and Inequality Thematic Group (contact Louise Cord, x30969), the Growth Thematic Group (contact Edgardo Favaro, x30599), or the Empowerment Community of Practice (contact Abigail Somma, x84949). For more information on Thematic Groups, visit PREMnet (<http://prem>).*



This note series is intended to summarize good practices and key policy findings on PREM-related topics. The views expressed in the notes are those of the authors and do not necessarily reflect those of the World Bank. *PREMnotes* are widely distributed to Bank staff and are also available on the PREM Website (<http://prem>). If you are interested in writing a *PREMnote*, email your idea to Madjiguene Seck. For additional copies of this *PREMnote* please contact the PREM Advisory Service at x87736. *PREMnotes* are edited by Paul Holtz and laid out by Suzanne Luft.

Prepared for World Bank staff