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Remarks by His Excellency Odeen Ishmael, Ambassador of Guyana in Venezuela

Regional Dialogue on Financing for Development and Foreign Debt ahead of the UN High-Level Meeting to review the implementation of the Monterrey Consensus; Doha, 2008
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Remarks by Ambassador Odeen Ishmael of Guyana at the regional dialogue on Financing for development and the foreign debt – a follow-up on the Monterrey Consensus, SELA headquarters, Caracas, 20 June 2008

Permanent Secretary of SELA, Vice-Ministers, Representatives of International and Regional Organisations, delegates of SELA member-states, Ladies and Gentlemen. . . .
This regional dialogue on "Financing for development and the foreign debt", probably the most important item of the Monterrey Consensus of 2002, has so far at this meeting drawn a wide range of views which member-states expect to be raised in the follow-up UN meeting in Doha later this year.

Currently, the debate still continues as to whether or not the obligations of the Monterey Consensus are being carried out by the developed countries.

As we know, the Monterrey Consensus was the outcome of the 2002 United Nations International Conference on Financing for Development held in Monterrey, Mexico. This Consensus was adopted by Heads of State and Government on 22 March 2002.

Participating also in that conference were the heads of the United Nations, the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO), prominent business and civil society leaders and other stakeholders.
As part of the final agreement, the United States and the European Union and other countries made new commitments on development aid, while assurances were given by all countries on debt relief and fighting corruption.

The Monterrey Consensus was reached after lengthy discussion during the preparatory meetings. When I was based in Washington, I participated in some of those meetings where there were doubts that every country would agree to the document which was finally presented. But I guess, that's why it is called a consensus – where everyone, despite not totally in agreement with every issue, decided there was enough in it to the satisfaction of his/her country, and decided in the end to agree not to disagree with it.

But has the Monterrey Consensus lived up to the expectations of the developing countries?

Well, certainly, we hear criticisms of it. The main criticism is that the US has ignored the Consensus because the total amount of US official development assistance, while very large, is still a small percentage of the US gross domestic product. As a matter of fact, the proportion relative to its GDP is also much lower than that of the Scandinavian countries.

Some critics say the Monterrey Consensus provided hope that the IMF, World Bank, and WTO would become more accountable to international political processes and would have placed more emphasis on poverty eradication and financing for development, but not enough progress has so far been made towards such objectives.

There was also some hope back in March 2002 that the Monterrey conference would have reached a decision on debt cancellation, but what finally came out was support for the IMF's Highly Indebted Poor Country (HIPC) debt relief initiative. This initiative, as we have seen, places onerous economic and political conditions on debtor countries while forcing them to pay a substantial proportion of their revenues to service the debt.

A final critique I want to add is that at the Monterrey conference a proposal for an International Currency Transaction Tax did not win the support of the developed countries even though it was heavily backed by the developing countries. This tax would have helped to control international currency speculation, which has continued to seriously affect the economy of developing countries. Significantly, it could have been a source of sufficient income to fund the US$50 billion needed to meet the millennium development goals. Incidentally, the idea for this tax was proposed as far back as 1993 by the then President of Guyana, Dr. Cheddi Jagan, in his proposal for the establishment of a New Global Human Order.

A short while ago, the representative of Jamaica made some proposals regarding agenda items to be included in the upcoming Doha meeting. These proposals are supported by the Caricom countries. Since Guyana fully supports them, I will not repeat them, but I want to emphasise that the issue of food shortages and rising commodity prices must definitely be on the agenda, as many other delegations have stated here today.

Since debt management is one of the main planks of the Monterrey Consensus, I want to now provide some information as to how Guyana has handled this area.

The most significant development during 2007 regarding the Guyana's external debt position was the delivery and implementation of the IDB's Multilateral Debt Relief Initiative (MDRI) with effect from January 2007, which finally returned Guyana's debt stock to a sustainable level for the first time since the country fell into arrears over 25 years ago.

Under the MDRI, the IDB cancelled all outstanding debts amounting to US$356.5 million incurred by Guyana prior to December 31, 2004. This effectively removed the country from its "highly indebted" status, and also resulted in savings of about US$20 million in debt service in 2007. By the end of December 2007, the stock of external debt had fallen by 31 percent to US$0.7 billion while debt service payments decreased by 18 percent to US$18.5 million, relative to 2006.

Guyana continued in 2007 to approach its non-Paris Club and commercial creditors for debt relief. In February 2007, the Government and Citizens Bank Inc., a local institution, signed an agreement to reach an out-of-court settlement on the repayment of the outstanding Government of Guyana bonds. This was followed by China granting additional debt relief to Guyana in July 2007 of approximately US$15.3 million which brought the total debt relief provided to Guyana by China to approximately US$34.9 million. Guyana also in March this year officially obtained from Venezuela a cancellation of 100 percent of its outstanding debt in the value of US$12.5 million - a debt which was owned since the early 1980s.

These debt cancellations will definitely serve as an impetus for Guyana to reach the UN Millennium Development Goals of reducing poverty, enhancing education and improving access to basic human services, among others.

The debt sustainability outlook in 2007 relative to 2006 showed a significant improvement. But Guyana remains moderately at risk with respect to debt distress since the country still faces the prospect of a decline in the availability of concessional resources from its traditional development partners and is still vulnerable to potential external shocks. Guyana believes that greater access to concessional financing is a key component of its strategy for debt management and sustainable financing of its development agenda.

To give a historical perspective, the current administration inherited in 1992 a US$2.1 billion from the regime of the pre-1992 period when the country was at a point of near bankruptcy. However, since then, prudent management of the economy and the several instances of negotiated debt write-offs have taken the country out of that classification.

It must be added that Guyana has now reached a maximum of debt relief. And, significantly, debt servicing has come down from about 94 percent (in the early 1990s) to 4 percent of revenue.

Thus, in this sense, Guyana has scored some success from the Monterrey Consensus but, certainly, other areas such as mobilising foreign direct investment and other private flows. In addition, enhancing the coherence and consistency of the international monetary, financial and trading systems in support of Guyana's economic development, among other areas, continue to need further attention and international support.