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**Implementation of and follow-up to major
United Nations conferences and summits:
follow-up to the International Conference
on Financing for Development**

Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 10 and 11 March 2011)

I. Introduction

1. The special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (UNCTAD) was held in New York on 10 and 11 March 2011. The overall theme of the meeting was “Coherence, coordination and cooperation on financing for development”. The meeting featured an address by the Secretary-General and statements on behalf of the Trade and Development Board of UNCTAD, the joint Development Committee of the World Bank and the International Monetary Fund (IMF), the International Monetary and Financial Committee of IMF, and the World Trade Organization.

2. The meeting was organized around four consecutive, informal, interactive debates on the following themes: (a) “Financial support for development efforts of least developed countries: development finance, including innovative mechanisms, Aid for Trade and debt relief”; (b) “Financial support for development efforts of middle-income countries: development cooperation, trade, capital flows, policy space and reserve system”; (c) “Follow-up to the 2010 Millennium Development Goals Summit outcome: building the global partnership for development, including in response to new challenges and emerging issues”; and (d) “The role of the United Nations system in global economic governance”.

* A/66/50.

** E/2011/100.



3. Each debate included initial presentations by senior staff of the World Bank, the World Trade Organization, UNCTAD, the Department of Economic and Social Affairs of the United Nations Secretariat and Government representatives on the selected theme, followed by an interactive discussion. The meeting had before it a note by the Secretary-General (E/2011/74), which provided background information and suggested possible questions under the four themes.

4. The meeting was preceded by consultations within the Economic and Social Council and between its President and other members of its Bureau and the management of the Bretton Woods institutions, the World Trade Organization and UNCTAD, and by the preparatory meeting of the members of the Bureau with members of the Executive Boards of the World Bank and IMF. In the course of those consultations and meetings, the agenda and the format of the special high-level meeting were discussed and agreed upon.

5. A significant number of Executive and Alternate Directors of the Boards of the World Bank and IMF participated in the high-level meeting. Also participating were high-level governmental officials in the areas of finance, foreign affairs and development cooperation, as well as senior staff of organizations of the United Nations system and other international organizations. Representatives of civil society and the business sector also participated actively in the four thematic debates.¹

II. Statements on behalf of intergovernmental bodies

6. The meeting featured statements by the President of the Economic and Social Council, Lazarous Kapambwe (Zambia); the President of the Trade and Development Board of UNCTAD, Luis Manuel Piantini Munnigh; the Secretary-General of the United Nations, Ban Ki-moon; the Acting Secretary of the Development Committee of the World Bank and IMF, Jorge Familiar Calderón; and the Secretary of the International Monetary and Financial Committee of the IMF, Siddharth Tiwari.

7. The President of the Economic and Social Council opened the meeting. In his remarks, he underscored that the annual special high-level meeting had become a major forum for enhancing coherence, coordination and cooperation in the context of implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development, especially in view of its recently strengthened format, which allowed for more interactive discussion and an open exchange of views and experiences among major stakeholders of the financing for development process. He cautioned that in the absence of effective policy coordination and cooperation, there was a real risk of a new global recession, as the fragile and uneven recovery had been challenged by the recent increases in food and energy prices. He signalled that developing countries were still facing the devastating social and economic effects of the recent crisis, which constituted a major setback on their way towards attaining the Millennium Development Goals by 2015.

8. Setting the stage for the four thematic debates, the President then drew attention to issues highlighted in the note by the Secretary-General. He stressed the need to accelerate progress in building a stronger global partnership for the

¹ The list of delegations will be issued in E/2011/INF/1.

achievement of the Millennium Development Goals by 2015, including meeting the commitments made in Monterrey and Doha, particularly those related to aid, trade and external debt. Referring to the flaws in global economic governance, he called for enhanced engagement of the Group of Twenty (G20) with the United Nations and the need to consider proposed reforms to strengthen coherence, coordination and cooperation within the United Nations system. He urged the international community to maintain financial support for least developed countries, by fulfilling the official development assistance (ODA) commitments, providing debt relief, enhancing Aid for Trade and technical assistance, as well as promoting a more equitable trading system. He also called for strengthening the cooperation of the United Nations system with the middle-income countries by aligning it with country priorities and development strategies and taking advantage of increased South-South and triangular cooperation.

9. The President of the Trade and Development Board of UNCTAD highlighted the strong rates of growth achieved by many developing countries before the world financial and economic crisis. He stressed, however, that high rates of gross domestic product growth in least developed countries were largely driven by external factors associated with an unsustainable pattern of global expansion and that the pattern of national expansion was not inclusive. He expressed concern that increases in food prices, together with a high dependency on food imports, implied the risk of another devastating food crisis in least developed countries. He also noted that high oil prices increased the risk of a double-dip recession in the world economy, which would severely affect the oil-importing countries and vulnerable economies such as least developed countries.

10. Recent discussions at UNCTAD with a view to addressing the challenges faced by least developed countries identified several priorities. The multilateral trading system should address the development needs and priorities of developing countries, and a successful and development-oriented conclusion of the Doha Round of multilateral trade negotiations would be an important step forward. The State had an important role to play, as strengthened institutional governance, proactive fiscal policy and public investment embedded in a coherent national development framework were considered to be the major instruments for the development of productive capacities. Given, however, that public investment alone could not meet the critical needs of least developed countries, it should foster and leverage private investment to build productive capacity and infrastructure. Also, the potential of foreign investment for building productive capacity and promoting technology transfer should be realized to a larger extent in order to catalyse sustainable development. To put this in practice, there was a need to improve international support mechanisms designed for developing countries, to reform the global economic regimes directly affecting the development prospects of developing countries, and to enhance South-South cooperation. Development needed to be addressed holistically and taking into account the developmental needs of individual countries, as a one-size-fits-all approach had proven not to work.

11. In his address, the Secretary-General called for charting a course for truly sustainable and equitable development to overcome the many challenges faced by the international community, namely, rising debt, high unemployment, growing inequality and poverty, devastating natural disasters as well as the impacts of climate change and the volatility of food prices. He highlighted the uneven progress towards the Millennium Development Goals, with inadequate results in job creation,

food production, infrastructure development and green technology. Accelerating progress required strengthening the global partnership for development based on mutual accountability. That partnership should extend beyond aid, to debt relief, access to essential medicines and technologies as well as access to global markets.

12. Turning to the least developed countries, the Secretary-General stressed their high levels of poverty and hunger and vulnerability to climate change and food price shocks. He urged all countries to participate at the highest level at the Fourth United Nations Conference on the Least Developed Countries, to be held in Istanbul from 9 to 13 May 2011, which would provide an opportunity for countries to adopt a programme of action that could generate tangible results. Then, the Secretary-General called for attention to the needs and development concerns of middle-income countries, which despite their economic progress, often faced rising inequality, the persistence of extreme poverty and a lack of adequate social security systems. Further efforts were needed to improve social safety nets and economic security in those countries. He also called for strengthening the role of the United Nations in global economic governance and for improving coordination, accountability and effectiveness within the United Nations system.

13. The Acting Secretary of the Development Committee of the World Bank and IMF provided a preview of the upcoming publication, *World Development Report 2011: Conflict, Security and Development*. He noted that challenges to fragile and conflict-affected countries could not be resolved by short-term or partial solutions in the absence of institutions that provided people with security, justice and employment. Building such credible and legitimate institutions was critical to bringing an end to cycles of violence and required much greater partnership and discipline by external actors, as well as revised procedures and modes of operation in providing assistance to those countries. According to the speaker, the *World Development Report 2011* would help to move the support to fragile and conflict-affected States to the forefront of the agenda of the World Bank Group.

14. Another area of focus of the current programme of work of the World Bank Group was addressing the issues of food price volatility and security. In view of the recent spikes in food prices for the second time in three years, which raised concerns about a repeat of the 2008 food price crisis and its consequences for the poor, the World Bank Group placed great importance on its work together with the United Nations, IMF and the multilateral development banks towards a long-term solution to food crises and other agriculture-related challenges. According to the speaker, a coordinated multilateral action was essential to face those challenges, especially through increased and improved investment in smallholder agricultural productivity in sustainable ways.

15. The Secretary of the International Monetary and Financial Committee of IMF outlined the 2009-2010 developments in the IMF lending policy in response to the world financial and economic crisis. These included increases in crisis lending facilities amounting to \$250 billion allocated to 59 countries, and increases in concessional lending to low-income countries, including a commitment of \$4 billion to sub-Saharan Africa. During 2009-2010, IMF had also improved its lending framework to better respond to the needs of member countries, including a new flexible credit line for countries with robust economic policies and strong economic performance, a new precautionary credit line for countries that were following sound economic policies but were still facing vulnerabilities, and the inception of a

trust fund to assist low-income countries affected by natural disasters and other catastrophes.

16. The speaker further commented on the IMF provision of analysis and targeted advice over the past year, including surveillance to detect early signs of global financial instability and stepped-up technical assistance to member countries. He also referred to the IMF governance reforms, which had seen a shift in quotas of 6 percentage points to strong performers among emerging markets and developing countries while preserving the voting shares of low-income countries. In conclusion, he emphasized the need for a strong global financial architecture, an increased support to fragile and conflict-affected countries, and for a review of the largely completed Heavily Indebted Poor Countries (HIPC) initiative.

III. Financial support for development efforts of least developed countries: development finance, including innovative mechanisms, Aid for Trade and debt relief

17. The first thematic debate featured presentations by Charles Gore, Head of the Policy Analysis and Research Branch of the UNCTAD Division for Least Developed Countries, Africa and Special Programmes, who discussed *The Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs*,² and by Shishir Priyadarshi, Director of the Trade and Development Division of the World Trade Organization, who focused on the need to promote the productive capacities of least developed countries to enable them to effectively participate in international trade.

18. Mr. Gore stressed that despite strong growth in the past decade, least developed countries needed continued support for international development. Progress towards the Millennium Development Goals had been slow owing to persistent weaknesses in the productive capacities of least developed countries. While recognizing the importance of the Brussels Programme of Action for the Least Developed Countries, Mr. Gore underscored the need for a more comprehensive framework. In that context, the speaker called for a New International Development Architecture. This would represent a new architecture of formal and informal institutions, as well as rules and norms, which would shape international economic relations in a way that was conducive to sustained and inclusive development in least developed countries. There were a number of major principles that would lie at the heart of a New International Development Architecture, such as developing productive capacities, increasing country ownership and policy space, improving the balance between external and domestic sources of demand and finance and more clearly defining the role of the State in the domestic market. Moreover, a New International Development Architecture would include an increased focus on domestic resource mobilization, greater policy coherence, enhanced South-South cooperation and the strengthened representation of least developed countries in global economic governance.

19. In the context of financing for development, according to Mr. Gore, the key challenges for least developed countries lay in low rates of domestic savings and investment, capital flight, high levels of aid dependency, weak country ownership

² United Nations publication, Sales No. E.10.II.D.5.

and continuing debt overhang. In that connection, he suggested a range of international policy responses and measures. Donor policies should ensure that the delivery of aid was in line with existing commitments. Moreover, innovative sources of finance, for example, special drawing rights allocations, could provide further important resources for development. Besides, there was a need to increase aid effectiveness through greater country ownership and improved policies on aid management. ODA was most effective when used to strengthen productive capacities and leverage domestic resources. The international community should also consider new debt relief initiatives, including those for post-completion-point HIPC countries in debt distress or at high risk thereof, as important policy measures for least developed countries.

20. Mr. Priyadarshi, at the outset, proposed to hold meetings between the United Nations, the Bretton Woods institutions, the World Trade Organization and UNCTAD more frequently, given the important role these dialogues played in enhancing policy coherence. As regards the development challenges faced by least developed countries, the speaker pointed out that least developed country trade accounted only for about 1 per cent of global trade in goods and half a per cent of global trade in commercial services, while their populations represented about 11 per cent of the world's population. In this connection, the speaker emphasized that a speedy conclusion of the Doha Round of multilateral trade negotiations could deliver great benefits in terms of market access and growth stimulus for least developed countries. For a maximum development impact, the Round must tackle the key issues for least developed countries, such as duty-free and quota-free market access, simple and flexible rules of origin, as well as a reduction of cotton subsidies in non-least developed countries. The speaker expressed hope for such a positive outcome, as World Trade Organization member States had identified 2011 as the window of opportunity for concluding the Round.

21. Mr. Priyadarshi underscored that market access alone would not solve all the trade-related challenges faced by many developing countries and least developed countries, in particular. It was important to complement increased market access with greater efforts to increase their trade-related capacity and infrastructure. Least developed countries required targeted global assistance for their development efforts, owing to the vulnerabilities of their weak productive capacity and their limited access to trade finance. In that regard, technical and financial assistance in the form of Aid for Trade was crucial to building domestic productive capacities. The speaker stressed that those sources of financial flows to least developed countries should not create additional administrative burdens and must ensure coherence between policy intent and outcome.

22. During the discussion that followed, many speakers expressed their interest in a New International Development Architecture, as presented by Mr. Gore. There was a convergence of views that the international community needed to take a more holistic, targeted and integrated approach in their efforts to support least developed countries. Many speakers underscored that international support mechanisms should focus on developing productive capacities of least developed countries. Such investment and the creation of decent jobs were seen as crucial policy objectives towards the achievement of the Millennium Development Goals. In the light of the structural vulnerabilities of least developed countries, several participants highlighted the need for diversification in least developed country exports and production. A New International Development Architecture should be part of a

broader approach for development cooperation that would help the development efforts of both least developed countries and middle-income countries. It was noted that the G20 Seoul Summit Development Consensus for Shared Growth would also play an important role as a complement to the global development agenda.

23. A participant underscored that the development progress achieved in least developed countries under the Brussels Programme of Action was inadequate or unsustainable due to structural constraints, the high incidence of poverty and the vulnerabilities faced by least developed countries. A large number of countries saw the Fourth United Nations Conference on the Least Developed Countries as an opportunity to renew the global partnership for development. In that context, a participant called for recognizing the specific needs and problems of least developed countries, as embodied in the major pillars of the New International Development Architecture. Several speakers noted that some countries were reluctant to graduate from the least developed country status owing to persistent high levels of economic vulnerability, and in some cases, long-term vulnerability to climate change and because they would ease preferential treatment specific to least developed countries. In this connection, it was noted that improved transition mechanisms and sustainable support could provide incentives to graduate.

24. Many speakers highlighted the importance of domestic resource mobilization. In particular, actions to broaden the tax base, fight corruption and increase transparency and accountability were seen as critical to raising the domestic revenue mobilization. It was emphasized that illicit capital flows from developing countries were estimated at a substantially higher level than ODA. International cooperation on tax matters was seen as key to reversing capital flight and mobilizing significant domestic resources for development.

25. Participants noted that the private sector played an important role in providing technology transfers and fostering production linkages. There was a call for mobilizing the private sector through targeted action plans comprising greater funds for project development, the use of risk mitigation tools, the setting of performance benchmarks and the use of new technologies and social media tools for financing for development.

26. Many participants recognized the importance of the conclusion of the Doha Round of multilateral trade negotiations for increasing the benefits of trade for least developed countries. One speaker pointed out that trade could have a real multiplier effect on the economy, as it increased foreign demand for domestically produced goods, as well as imports. Consequently, the issue of trade should be included in national development strategies. Several speakers pointed to the need to increase Aid for Trade to least developed countries, as the large majority of those countries would not receive that type of support from any other source. Moreover, it was emphasized that Aid for Trade should help to enhance the trade-related infrastructure in all least developed countries, taking into account domestic development priorities.

27. Participants noted that ODA was crucial for least developed countries to meet their development objectives. There was a wide convergence of views that commitments should be fulfilled despite the effects of the world economic and financial crisis on donor countries. Donors should set concrete timetables to meet their aid commitments, so that recipient countries could plan their budgets in the long term. One speaker stressed that development aid allocation should not follow

performance-based criteria only, as this would inevitably lead to lower aid disbursements to least developed countries, given the long-term nature of their development challenges. Rather, ODA priorities should take into consideration the financial needs and structural vulnerabilities of recipient countries. Speakers also called for more equitable allocation of aid and for aid management policies that would enhance mutual accountability between donors and recipient countries. A participant noted the increasing role of emerging donors and supported the suggestion to direct ODA for least developed countries towards the creation of productive jobs, support for agricultural production and human capital development.

28. Many speakers highlighted the need to explore innovative sources of financing for development. Such sources of financing should be additional to ODA, predictable and adjusted to the priorities of least developed countries. Some participants highlighted the potential of a financial transactions tax to generate additional stable revenues for development. One speaker called for innovative mechanisms for food security, such as a compensatory financing mechanism to allow sustained access to food in periods of high prices. Participants also highlighted the development potential of remittances and the need for reducing their transaction costs and enhancing their potential as development finance.

29. Several participants stressed the importance of the debt sustainability of least developed countries, as 20 of them remained in debt distress or at a high risk thereof. There was also a call for a renewal of the extension of the HIPC initiative to address the debt problems of least developed countries. One representative expressed support for an UNCTAD proposal on a debt moratorium and debt standstills for least developed countries to help those countries to achieve the Millennium Development Goals.

IV. Financial support for development efforts of middle-income countries: development cooperation, trade, capital flows, policy space and reserve system

30. The second thematic debate featured presentations by Robert Vos, Director of the Development Policy and Analysis Division of the Department of Economic and Social Affairs, who focused on policy coherence and the global partnership for development in the context of the follow-up to the Millennium Development Goals Summit held in September 2010 and by Detlef Kotte, Head of the Macroeconomic and Development Policies Branch of the UNCTAD Division on Globalization and Development Strategies, who discussed the new challenges for global economic governance and development strategies in the aftermath of the world economic and financial crisis.

31. Mr. Vos pointed out that the Millennium Development Goals Summit, while reaffirming all the commitments of the Goals, recognized the need to enhance policy coherence for development. In his presentation, he identified key challenges to policy coherence pertaining to ODA, trade and debt. He noted that the delivery of ODA continued to fall short of internationally agreed targets. Issues to be addressed to improve the coherence of the aid agenda included the need for more general budget support to enhance national ownership on the part of developing countries, as well as the challenge of ensuring the additionality of aid for food security and climate change mitigation and adaptation, to existing aid commitments. In addition,

enhanced efforts were needed to align ODA with other sources of development financing.

32. With regard to trade, the Millennium Development Goals Summit had reiterated a number of recommendations, including implementing duty-free and quota-free market access for all least developed countries, eliminating agricultural export subsidies by 2013 and strengthening aid for trade. Mr. Vos called for more coherent and targeted allocation of Aid for Trade resources, since those flows currently benefited mainly middle-income countries. Moreover, policy coherence could be further increased through the proper alignment of Aid for Trade with national development strategies. He also underscored the need to strengthen the trading and productive capacities in developing countries to enable them to benefit from enhanced market access. Regarding debt, the Millennium Development Goals Summit had recommended, inter alia, that enhanced approaches to restructuring sovereign debt be considered. As key challenges related to the coherence of debt policies, Mr. Vos stressed the need to reconcile debt sustainability with the requirements of development financing and to ensure the additionality of debt relief to existing ODA commitments. Policy coherence could further benefit from the establishment of sovereign debt workout mechanisms coupled with financial safety nets, compensatory financing and adequate financial regulation.

33. Mr. Kotte focused on three new challenges for international economic governance and development strategies: changing global demand patterns; the role of domestic demand in development strategies; and the reform of the international exchange-rate system. While the recovery from the global economic crisis had been predominantly led by middle-income countries, demand growth had been insufficient in many advanced economies. With global demand expansion being likely to slow down further, sustained growth would no longer be achievable through export orientation. Development strategies would therefore have to rely more on the expansion of domestic demand. This would require the promotion of fixed investment through lower interest rates and improved access to investment finance.

34. Moreover, it was important to stimulate domestic consumption through wage increases in line with productivity growth. Mr. Kotte emphasized that attracting capital inflows to accelerate fixed investment might be a source of macroeconomic instability. One important challenge was the reform of the international exchange-rate system. There was a need to establish a multilateral framework for exchange-rate management. The objective of such a system would be to maintain real exchange rates at a level that was consistent with a sustainable current-account position. This would curb excessive currency speculation, reduce reserve accumulation as a by-product of interventions on the foreign exchange market and prevent unsustainable external deficits.

35. In the ensuing discussion, many participants noted that middle-income countries were making an important contribution to global growth. However, they continued to face significant challenges in their efforts to achieve the internationally agreed development goals, including the Millennium Development Goals. It was important that international support to middle-income countries be better aligned with national priorities to address the development needs of this group of countries. It was also stressed that, although middle-income countries were heterogeneous in terms of their economic and social development, most of them had to deal with

inequalities of income distribution, which created economic and social distortions. In order to better align policies with the aim of poverty reduction, various statistical indicators, in addition to those based on national per capita income, should be used to illustrate the real situation in those countries. In that regard, some speakers suggested the development of new indicators within the United Nations system.

36. Several participants pointed out that, given the slow growth of global demand, middle-income countries' growth and expansion should rely more on domestic demand, supported by the appropriate monetary, financial, income and employment policies. In that regard, the importance of the development of the domestic financial sector was emphasized. Some speakers, however, stressed that domestic demand might not be enough to generate adequate growth and thus exports should remain an important pillar of development for middle-income countries. The use of industrial policies in long-term development strategies was also discussed.

37. According to most speakers, South-South cooperation could be an important element in international development strategy. It was stressed that such cooperation should not be limited to trade, but should also include infrastructure, industrial projects, energy and energy security, as well as research and development. There was recognition of the need to maximize the capacities of regional and subregional mechanisms and institutions for cooperation. Regional and subregional cooperation could play an important role in pooling resources, diversifying risk and mobilizing new development finance on capital markets. It was also acknowledged that the measurement of South-South cooperation flows should be improved. In that regard, it was suggested that the Development Cooperation Forum of the Economic and Social Council could serve as an important platform for more coordinated information-sharing and data collection.

38. There was a widespread call to intensify efforts to conclude the Doha Round of multilateral trade negotiations with a truly development-oriented outcome, to eliminate agricultural subsidies in developed countries and to further strengthen Aid for Trade, as well as to avoid protectionism in the process of developing a green economy. Moreover, some participants reiterated the right for World Trade Organization member countries to fully utilize their policy space consistent with World Trade Organization commitments.

39. Most participants stressed that volatility of short-term capital flows could be a potential source of instability and emphasized the importance of capital account management, including the imposition of capital controls. Multilateral financial institutions should provide countries with pragmatic policy advice on how to limit excessive short-term flows. Some speakers were of the view that free trade agreements with developed countries restricted the ability of middle-income countries to apply capital controls. It was also noted by many participants that there was a need for some form of global governance of cross-border capital flows, as unilateral measures could produce only limited results in an era of financial globalization.

40. Many speakers focused their attention on the issue of reserve accumulation, noting the cost of accumulating and holding reserves in terms of foregone productive investment and social spending. At the same time, it was stressed that many central banks in middle-income countries had to intervene in the foreign exchange market to avoid excessive currency appreciation. The result had been the accumulation of foreign exchange reserves. Many speakers also noted that reserve

accumulation had been an effective policy option for middle-income countries as a first line of defence and self-insurance against potential external shocks. That option had served them well during the world financial and economic crisis. It was suggested that better designed and expanded global financial safety nets, including multilateral, regional and bilateral financial arrangements, might reduce the need for reserve accumulation, thereby freeing up additional resources for productive use. In that regard, a number of participants noted that multilateral institutions should expand the use of their resources to help support countercyclical policies in developing countries and to ensure that those countries were not unduly constrained by policy arrangements to support output recovery and maintain social spending.

41. Several speakers underlined that creditors and debtors must share responsibility for preventing unsustainable debt situations. In this regard, it was noted that the discussions with a view to establishing a set of voluntary principles and guidelines on responsible and sustainable sovereign lending and borrowing practices for creditors and debtors should be continued. Speakers also stressed the importance of improved definitions and analysis of debt sustainability, taking into account investment in the attainment of the Millennium Development Goals. In several interventions, speakers emphasized the need to establish a fair, transparent, independent and impartial sovereign debt workout mechanism. It was highlighted that such a mechanism was of particular importance to middle-income countries. The formation of a working group, as a first step, was suggested.

42. Several speakers noted the need to reform the international reserve system, since the existing one relied overly on a single national currency. In that regard, there were calls for regular allocations of the special drawing rights. Besides, the need to undertake further examination of the role of enhanced special drawing rights in the global reserve system and the promotion of development was stressed.

V. Follow-up to the 2010 Millennium Development Goals Summit outcome: building the global partnership for development, including in response to new challenges and emerging issues

43. The third thematic debate started with presentations by Axel van Trotsenburg, Vice President, Concessional Finance and Global Partnership, World Bank, on the role of the International Development Association (IDA) in promoting the Millennium Development Goals, and Joachim von Amsberg, Vice President, Operations Policy and Country Services, World Bank, on the challenges of fragile and conflict-affected countries in the achievement of the Millennium Development Goals. Sarah Cliffe, Director and Special Representative, World Development Report 2011, World Bank, then spoke on operationalizing the *World Development Report 2011: Conflict, Security, and Development*.

44. Mr. van Trotsenburg presented the latest developments related to the IDA and the IDA Sixteenth Replenishment (IDA 16) process. He underscored that IDA was one of the world's largest sources of financing for health, education, infrastructure, agriculture, as well as economic and institutional development. IDA had increased its focus on country-led development through its support for national development priorities and a more decentralized organizational structure. With a rigorous results

measurement system, high transparency and low overhead costs, IDA had sharply increased its effectiveness and significantly contributed to progress towards the Millennium Development Goals. While IDA funds had helped to improve access to essential goods and services for millions of people, it had also provided help with institution-building, knowledge-sharing, policy advice and analysis, as well as technical assistance.

45. The speaker noted that the world financial and economic crisis and parallel replenishments for multilateral development banks had posed significant challenges for IDA donors. The almost \$50 billion in donor pledges for IDA 16 would thus have to be seen as an expression of confidence in the Agency's capacity to maximize its development impact. Therefore, it was particularly important to focus on concrete results and define clear priorities. In that regard, IDA 16 would address four major thematic areas: (a) strengthening support to IDA countries affected by severe exogenous economic crisis of global or regional nature or by natural disasters, through the establishment of the "Crisis Response Window"; (b) deepening collaboration with its partners to improve the effectiveness of its assistance to fragile and conflict-affected countries; (c) scaling up its gender-mainstreaming efforts throughout its operations; and (d) increased support for climate change mitigation and adaptation efforts in the poorest countries.

46. Mr. von Amsberg discussed the challenges faced by fragile and conflict-affected countries in the achievement of the Millennium Development Goals. He stressed that most, if not all, of those countries would not be able to achieve the Millennium Development Goals targets by 2015. While noting the valuable contribution by many stakeholders to the *World Development Report 2011*, he noted that the preparation of that report provided an opportunity for much closer partnership between the World Bank and the United Nations system, building effectively on their complementary strengths. Mr. von Amsberg stressed that conflict and fragility were not merely reasons for temporary disruptions in the normal development process, but would typically present a serious threat with long-term implications. Fragility represented a fundamental failure of institutions to provide for security, justice and employment on a sustained basis.

47. The World Bank would thus follow a multipronged approach in supporting the development efforts of fragile and conflict-affected countries. It would enhance its focus on fragility and conflict risk, as well as strengthen the partnership with other agencies, particularly on security, justice and development. Results and risk management frameworks needed to be realigned with the realities faced by those countries and increased efforts should be geared towards job creation and private sector development. Other priority actions included operationalizing risk management, seeking less volatile financing and enhancing the World Bank's own capacity in dealing with fragile and conflict-affected States.

48. Ms. Cliffe presented some of the major findings of the *World Development Report 2011*. The report highlighted that, despite significant progress within the last 30 years in reducing the trauma caused by civil war, there were still 1.5 billion people living in areas affected by conflict, the legacies of conflicts and criminal violence. For those people, the lack of security had an enormous negative impact on their opportunities to realize the Millennium Development Goals. Most disconcertingly, children were often hit especially hard, including, in particular, through reduced access to education. The main message of the report was that a lack

of legitimate institutions, which provided citizen security, justice and employment, were the key causes of vulnerability to conflict. Other important factors highlighted in the report were income inequality, vulnerability to external economic shocks and high unemployment among youth. Countries that emerged successfully from conflict had built inclusive coalitions with civil society and the business sector, through early results from confidence-building, an early focus on justice and security reform and job creation, as well as follow-through on long-term institution-building.

49. The international community should invest in conflict prevention through providing security, justice and development support and advisory services as well as through improving the effectiveness of agencies' internal procedures. Regional cooperation could complement global efforts to reduce spillovers from conflict-ridden countries. Moreover, marshalling the combined experiences and resources of low-, middle- and high-income countries and strengthening South-South exchanges would go a long way in conflict prevention. The speaker further highlighted that in fragile countries, progress towards the Millennium Development Goals often moved slowly and sometimes did not offer the quick results sought by donors. In that connection, the report looked at how to measure the impact of peace and security and sound national institutions on long-term development objectives.

50. In the interactive exchange of views that followed, many participants stressed that the challenges posed by fragility and conflict were important reasons why several developing countries had fallen behind in their efforts to reach the Millennium Development Goals. In the light of the recent *World Development Report 2011*, Executive Directors of the Board of the World Bank emphasized that the international community had to change the way it engaged with fragile and conflict-affected countries. Many participants voiced their support for the major recommendations contained in the report. It was important to move away from a narrow focus on economic growth and invest in conflict prevention and peacebuilding efforts by strengthening the security, justice and employment apparatus in fragile States. In that connection, several speakers underscored the important role of the United Nations in promoting those areas.

51. It was noted that engagements with fragile States should not follow a one-size-fits-all approach and frequently required taking risks, including those of making mistakes. However, the risks related to delaying or not providing any support to fragile States would gravely outweigh the risks mentioned above. Patience and realism were important virtues in a post-conflict setting among all stakeholders, including donors, as institution-building required persistent long-term efforts.

52. Many participants stressed that the United Nations system and the World Bank had to promote efforts to respond to the needs of fragile and conflict-affected countries in a coordinated fashion. Collaboration should build on institutional partnerships that harnessed the comparative advantages of each organization. In that context, one speaker urged development partners to assist fragile States in a more timely fashion, and for a more sustained period, especially in post-conflict situations. One speaker cautioned against a strict division of labour between the United Nations and the World Bank, as greater flexibility would be more productive.

53. The current rise in international food prices was also seen as an important example where coordinated action among multilateral organizations was vital. In this connection, it was noted that food security was an area of central concern for the World Bank. Consequently, the Bank had raised its investments in agricultural

productivity and research and worked with other relevant stakeholders to mitigate the social impact of volatility in food prices.

54. Several speakers stressed that the recent world financial and economic crisis should not jeopardize existing aid commitments. Participants further underscored the importance of ODA as a supplement to other sources of revenue and financing. ODA was critical for the implementation of national development objectives and the Millennium Development Goals. Technical assistance in connection with ODA was seen as crucial to ensuring the effective implementation of domestic development objectives. Speakers also underscored the need to promote gender equality. Gender equality and development were closely linked and more efforts were needed to empower women and recognize their central role in poverty eradication and the achievement of the Millennium Development Goals.

55. Speakers highlighted the potential of international trade to contribute to the achievement of the Millennium Development Goals. In this connection, several participants noted the fact that the share of least developed countries in world trade had remained extremely low. Consequently, plans to restructure the global financial architecture must take into account the special needs and challenges faced by the least developed countries.

56. Several participants raised the issue of aid effectiveness. Aid should be aligned with the needs and priorities of recipient countries through increased national ownership, while internationally agreed development goals, such as the Millennium Development Goals, should provide the broader framework for its allocation. It was highlighted that ODA tied to specific goods or services of the donor country would often significantly increase the development project costs in recipient countries. In this connection, one speaker put forward the idea of a code of conduct among donors that would reduce tied aid and ensure greater donor coordination.

57. Participants emphasized that the Millennium Development Goals called for a global partnership for development that encompassed all relevant stakeholders, including civil society and the private sector. In addition, speakers highlighted the potential of partnerships between the public and private sector, particularly in the field of infrastructure investments. Innovative partnerships could effectively lower financial and political risks linked to development projects and generate new investments.

VI. The role of the United Nations system in global economic governance

58. The fourth thematic debate featured presentations by Serge Tomasi, Director for Development, Ministry of Foreign and European Affairs, France, and Co-Chair of the G20 Development Working Group, and Vanu Gopala Menon, Permanent Representative of Singapore to the United Nations, and Convener of the Global Governance Group (3G).

59. Mr. Tomasi discussed the conceptual and practical challenges associated with global economic governance. The concept of governance at the State level included legislative, executive and administrative functions. At the global level, the division of responsibilities was less clear cut. The United Nations General Assembly clearly fulfilled the legislative role as the only truly universal and inclusive multilateral

body, while the United Nations Secretariat and specialized agencies took on administrative roles. The executive function posed the greatest challenge, as it was impossible for a single organization to formulate and implement budgetary, economic and financial decisions that would reflect the needs of every member of the world economy. Mr. Tomasi emphasized that the G20 should not be seen as a legitimate forum to perform those executive functions. Indeed, the question of legitimacy was not a relevant issue when it came to the G20, as the Group was not a governing body with the power to implement decisions for all. Rather, the Group was a forum for economic cooperation to help to manage increased interdependency between its members. The speaker emphasized that the G20 was fairly representative when it came to macroeconomic policy coordination that helped to redress imbalances in global markets and that ensured timely responses to systemic economic and financial crises.

60. There was a need to improve the engagement of the G20 with the United Nations. France was committed to regular dialogues between the G20 and non-members in the run-up to the Group's meetings. The 3G proposals that aimed to improve engagement between the United Nations and the G20 had already been implemented to some extent. For example, the G20 did undertake consultations with non-G20 members before the G20 summits and provided the rest of the United Nations membership with updates on the preparations and outcome of those meetings. Likewise, non-members could also contribute through regional organizations to the G20 summits. The speaker recognized that the participation of the United Nations in the Group posed challenges and had not been formalized. However, the Secretary-General and his representative were regular participants at the G20 summits and preparatory meetings. Moreover, efforts were under way to implement the 3G proposal for the G20 to hold regional forums with non-G20 States on specialized issues. Finally, Mr. Tomasi expressed his scepticism with regard to the establishment of new mechanisms to coordinate global economic governance and called for strengthening the United Nations system, including the Economic and Social Council, instead.

61. Mr. Menon focused on how the role of the United Nations in global economic governance could be strengthened. The United Nations system, including the United Nations Development Programme, IMF and the World Bank, played a vital role in assisting the development efforts of low- and middle-income countries, yet it was the G20 that had formulated and implemented a coordinated and effective global response to the world financial and economic crisis. However, the work of the G20 should enhance rather than undermine the role of the United Nations system. Taking into account these important insights, the 3G had promoted constructive dialogue between the United Nations and the G20. For example, the 3G had called on the G20 to provide regular briefings on its work and to continue to invite established regional groupings to their summits in order to increase engagement among the different stakeholders. Moreover, it was important to involve the Secretary-General and his representative in the preparatory events, summits and ministerial meetings, as well as the follow-up processes.

62. Mr. Menon highlighted that the United Nations and the G20 could take immediate steps to improve their effectiveness. With regard to the G20, the speaker highlighted that it had not met its potential in promoting international trade as an engine for development. Since trade of the G20 countries accounted for 80 per cent of international trade, the Group should take on a leadership role in pushing the

Doha Round of multilateral trade negotiations and prevent further protectionist measures. Likewise, the United Nations system must improve its effectiveness both at the Secretariat and intergovernmental levels. The Secretariat should prevent turf conflicts at the expense of the effectiveness of the whole system. Similarly, Member States must reduce the large number of reports requested and resolutions passed without proper follow-up or implementation. Moreover, it was important to support the good work done by many agencies of the United Nations system with the necessary resources and capabilities to effectively implement their mandates. The speaker emphasized that the regional composition of the Economic and Social Council should be strengthened to reflect the geopolitical realities. The work of the Council was linked to the larger institutional framework for sustainable development and should encompass its economic, environmental and social pillars.

63. During the discussion that followed, participants highlighted that the multiple global crises, including the recent world financial and economic crisis, as well as food and energy crises, had revealed structural flaws within the current system of global governance. Whereas the multilateral system was based on the sovereignty of States, globalization had created an interdependent world that transcended the notion of nation States. The current system of governance needed to adapt to those new realities through more effective cooperation geared towards sustainable long-term economic growth and a rapid and effective response capacity to global crises. In that connection, speakers highlighted the fragmentation and incoherence of the current global economic system and called for greater coordination and interactions between the various international organizations, including the United Nations, the Bretton Woods institutions and the World Trade Organization.

64. It was noted that, owing to its inclusiveness and legitimacy, the United Nations system was uniquely placed to promote the international development agenda and discuss issues of global economic governance. However, while its inclusiveness guaranteed truly legitimate outcomes, the deliberations of its 192 Member States could result in slow responses to crisis situations. In that connection, speakers emphasized the importance of making the United Nations more effective and able to take speedier decisions.

65. The contribution of the G20 in coordinating the global response to the recent world financial and economic crisis was recognized. At the same time, questions were raised regarding the Group's ability to resolve longer-term structural problems, such as the existing large global economic imbalances. It was also argued that the G20 could do more with respect to resolving trade-related issues.

66. Moreover, there was discussion about the functioning of the G20. It was pointed out that the G20 would likely remain a reality, given the difficulties in getting States Members of the United Nations to agree upon and speedily implement economic and financial decisions in response to crises. However, there were real concerns about the lack of representation of most developing countries, in particular the least developed countries. Some participants also referred to the need to create a transparent institutional interface between informal entities such as the G20, and those international organizations that implement their decisions, especially the Bretton Woods institutions.

67. A number of speakers emphasized that the United Nations and G20 should complement each other rather than compete. There were also calls for greater engagement and dialogue between the United Nations and the G20, at both the

Secretariat and intergovernmental levels. Some speakers called for stronger and more formalized United Nations participation in G20 meetings. It was also argued that the G20 should enhance its efforts to interact with the broader United Nations membership, with one speaker suggesting that the G20 could be transformed into a global economic council contained within the United Nations.

68. Many participants highlighted that comprehensive reform was the shared responsibility of the United Nations membership in order to adapt to the global challenges to the twenty-first century. Several speakers called for more dialogue and efforts directed towards the strengthening of existing mechanisms and enhancing the coherence, consistency and effectiveness of various components of the United Nations system. In that connection, the Economic and Social Council could serve as a crucial consensus-building forum. However, others proposed new mechanisms. For example, some speakers called for the introduction of a “Global economic coordination council”. Such a body would help to ensure coherence in the policy goals of the major international organizations and help to coordinate efficient and effective solutions for issues of global economic governance. It was further suggested that the new council could be served by a panel of experts, which would provide independent technical expertise and analysis for its decision-making processes.

69. Reference was made to strengthening the follow-up process on financing for development as an important aspect of enhancing the role of the United Nations in global economic governance. With its multi-stakeholder nature, the financing for development process was identified as a unique platform for discussions on global economic governance. Some speakers proposed to enhance the effectiveness of the intergovernmental follow-up to the international conferences on financing for development through the creation of a commission on financing for development.

70. Several participants pointed to the need for further progress on enhancing the voice and representation of developing countries in international economic decision-making and norm-setting processes. In that connection, speakers welcomed recent moves to enhance the representation of emerging economies in the Bretton Woods institutions and called for further steps to strengthen the effective participation of developing countries.

71. Some speakers emphasized the important role that regional cooperation could play in enhancing the architecture of global economic governance. It was pointed out that effective regional cooperation could ensure the enforcement of international norms and allow for more effective participation of smaller and less empowered States in global economic governance. One speaker pointed out that governance should be considered at the global, regional and national levels.

72. It was reiterated that the global economic governance architecture comprised a multitude of stakeholders, including civil society and the private sector. Efforts to reform the governance architecture should also pay due regard to those entities. In that connection, the need to curb corruption at all levels and to have greater transparency of the commercial interactions between the public and private sectors was mentioned.