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Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference

Progress report of the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development

I. Introduction

1. By its resolution 63/305, the General Assembly established an Ad Hoc Open-ended Working Group to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development. The President of the General Assembly appointed Ambassador Morten Wetland, Permanent Representative of Norway, and Ambassador Lazarous Kapambwe, Permanent Representative of Zambia, to serve as co-facilitators. The Working Group hereby presents the progress report requested by the Assembly in its resolution 63/305.

2. The Conference on the World Financial and Economic Crisis in June 2009 took place amid the most severe global economic downturn since the Great Depression. The financial crisis originated in advanced economies, but had ripple effects on the global economy, not least in developing countries. The Conference built a common understanding of the causes of the crisis and identified a wide range of measures to mitigate its impact on developing countries.

3. The global economy contracted by 0.5 per cent in 2009 and the long-term effects are still felt by the poor and vulnerable. Employment is low in Europe and the United States of America. The World Bank estimates that 64 million more people have been or will be pushed into extreme poverty as a result of the crisis. And low-income countries are now even more vulnerable to new external shocks as their fiscal space for countercyclical policies has been exhausted or reduced over the past 18 months.

4. While the Working Group was holding its meetings and following up on the Outcome of the Conference, the world experienced a gradual economic recovery.

The effects of the crisis have set the world economy on a trajectory that will be somewhat lower than the business-as-usual scenario. Growth is increasing in all regions with the exception of Europe, which has suffered additional setbacks connected to sovereign debt crises in a number of countries. According to the International Monetary Fund (IMF), world growth is expected to be 4.5 per cent in 2010 and, while growth rates in sub-Saharan African countries have not returned to their pre-crisis levels, they are still expected to reach 5.0 per cent in 2010 and 5.9 per cent in 2011. Moreover, there has been a resurgence of capital flows to some large emerging economies, whose growth rates continue to outpace advanced economies by significant margins.

5. Further consolidation of the recovery is uncertain. The sovereign debt crisis in some European countries contributed to a significant fall in global equity markets in May and June 2010. Stimulus measures will be phased out and will likely be followed by fiscal tightening in several advanced economies. The crisis has shattered trust in the macroeconomic framework and created new uncertainties regarding currency fluctuations. For many middle-income countries, levels of debt and access to concessionary finance and new lending are a cause of concern.

6. The meetings of the Ad Hoc Open-ended Working Group to follow up on the Outcome[1] of the Conference in the spring of 2010 provided an opportunity for Member States to take stock of the continued impact of the crisis on development, identify gaps in the national and international policy response to date and continue to exchange views on addressing systemic flaws that were revealed by the crisis. The seven substantive meetings were opened with presentations by outside experts, who provided updated information on institutional changes, the economic outlook and evolving policies. The presentations were followed by a discussion among Member States. The Working Group drew on reference documents from a number of sources, including IMF, the World Bank, the United Nations development system and the Commission of Experts on Reforms of the International Monetary and Financial System. All statements received by the co-facilitators and relevant background documents have been posted on the Department of Economic and Social Affairs website for the Working Group (www.un.org/esa/ffd/events/2010GAWGFC/index.htm).

7. The present progress report summarizes the deliberations of the Working Group and provides an overview of the key issues and proposals put forward by Member States for further consideration.

8. Prior to its substantive meetings, the Working Group held two procedural meetings to discuss its work programme. In the procedural meetings, many Member States stressed the need to avoid duplication in time and substance with other United Nations processes and the follow-up to the Conference by the Economic and Social Council. The Working Group planned its work programme accordingly.

[1] In accordance with General Assembly resolution 63/303, the intergovernmentally agreed document resulting from the Conference is referred to as “the Outcome”.

II. Summary of deliberations

A. Continued impact of the crisis and policy responses

Meetings of the Working Group on 12, 23 and 30 April

9. Many Member States remained concerned that there were important gaps in the response to mitigate the impact of the crisis on development, considering that a large number of developing countries still experienced:

(a) Weaker income from export and tourism compared with pre-crisis levels;

(b) Lower levels of foreign reserves, enhancing the risk of a new debt crisis;

(c) Reduced fiscal space for social spending and countercyclical policies;

(d) Levels of foreign direct investment (FDI) and trade that were significantly below pre-crisis trends.

10. Consequently, the hard-won progress in recent years towards realizing the internationally agreed development goals, in particular the Millennium Development Goals, was still threatened by the particular challenges posed by the crisis. Although the world as a whole was on track to meet Goal 1 on poverty reduction, the absolute number of people living in extreme poverty in South Asia and sub-Saharan Africa had continued to increase. Some Member States argued that Governments have had to cut social, health and education spending.

11. Worldwide unemployment rose by 34 million from 2007 to 2009. While the majority of newly unemployed individuals were men working in manufacturing and the service sector, women were particularly vulnerable as they were disproportionately represented in some sectors that had been hard hit by the downturn. Member States also emphasized that the crisis had also had other gender and child-specific consequences, including higher infant mortality and more girls being pulled out of school.

12. In the meetings of the Working Group on 12, 23 and 30 April, Member States considered these and other serious and continued negative impacts of the crisis and provided their policy recommendations, not least with regard to securing sufficient resources for development.

Debt sustainability
Meeting on 12 April, with reference, in particular, to paragraphs 15, 33 and 34 of the Outcome

13. The Outcome called upon States to redouble their efforts to honour their commitments regarding debt relief and stressed that developing countries could, as a last resort, seek to negotiate agreements on temporary debt standstills between debtors and creditors. In the Outcome, Member States also committed to exploring enhanced approaches to restructuring of sovereign debt based on existing frameworks and principles.

14. At the meeting of the Working Group held on 12 April 2010, many Member States emphasized that the capacity for developing countries to sustain debt had been severely hurt by the crisis. They stressed that debt servicing costs also meant fewer funds for financing development to meet the internationally agreed

development goals, including the Millennium Development Goals. The special challenges faced by vulnerable middle-income countries related to access to finance, support for sustainable development and debt sustainability were pointed out. Many Member States remarked that the crisis had led to increased borrowing to cover the financing gap. As a result, half of the countries in the Caribbean had debt ratios higher than 100 per cent and small middle-income countries in the region needed increased access to concessionary finance.

15. Member States highlighted the importance of responsible borrowing and lending in helping to prevent unsustainable external indebtedness and called for all options to be explored in order to find a development-oriented solution to the problem of external debt. Many Member States emphasized the need to explore the feasibility of a more structured framework for international cooperation in the area of sovereign debt restructuring. Other Member States stressed that sovereign debt restructuring should be based on existing principles. Many delegations reiterated the need for temporary moratoriums or standstills on debt servicing for developing countries facing severe difficulties, in line with paragraph 15 of the Outcome, as this would mitigate the adverse impacts of the crisis and stabilize macroeconomic developments. Although such agreements depended on negotiations between debtors and creditors, several delegations called for the establishment of an independent international sovereign debt workout mechanism and in this regard pointed to paragraph 34 of the Outcome.

16. While agreeing that debt vulnerabilities would increase, other Member States did not expect systemic difficulties across low-income countries and stressed that debt ratios were projected to return to a downward trend by 2011 to 2012. Those Member States emphasized that the IMF new lending facilities for low-income countries provided much needed flexible, short-term lending arrangements and options for precautionary lending, while making sure that poverty reduction remained a central pillar of all IMF support to those countries. They stressed the link between sound macroeconomic policies and debt sustainability. Member States welcomed the review of the joint debt sustainability framework of IMF and the World Bank. Some Member States, however, stated that structural reforms would continue to be part of IMF-supported programmes. Moreover, it was strongly pointed out that the debt sustainability framework should be subject to continued review under a coordinated and cooperative approach, with the inclusion of views of developing countries in an open and transparent manner. Some Member States emphasized the need for a review of the debt sustainability framework for middle-income countries.

17. It was also pointed out that many countries that had not yet qualified for the highly indebted poor countries (HIPC) initiative faced serious development, security and governance challenges, requiring help from the international community. Many Member States stressed that HIPC-eligible countries should be able to receive full debt relief from all their creditors, including creditors not members of the Paris Club. Member States stressed that reducing debt service payments was not sufficient to avoid the risk of debt distress and that a number of HIPCs at completion point remained vulnerable to external shocks.

18. In a presentation to the Working Group, the United Nations Conference on Trade and Development (UNCTAD) stated that the average external debt of developing and transition economies had grown from less than 44 per cent of gross

domestic product (GDP) at the beginning of the crisis to 52 per cent of GDP in the third quarter of 2009. Low-income countries had entered the crisis in a relatively better position, although they still faced a reversal in the gains that had been made. UNCTAD also emphasized that the HIPC initiative was a one-off initiative that was coming to an end. A recent UNCTAD project had sought to draw up a set of universally agreed principles for responsible sovereign lending and borrowing.

19. The World Bank presented the changes made to the debt sustainability framework for low-income countries to make it more flexible and pointed out that there were currently 40 HIPCs of which 5 (Afghanistan, Burundi, Central African Republic, Congo and Haiti) had recently reached completion point. The debt burdens of the 35 post-decision-point countries had been reduced by 80 per cent compared with their decision-point levels. A recent World Bank publication had revealed that the external debt of developing countries had increased by $268 million compared with the previous year, surpassing $3.7 trillion in total. A representative of the Ministry of Finance of Poland presented Poland's measures to prevent a deterioration of its debt and fiscal situation, including a stability and development plan to increase investment and consumer demand, expenditure cuts in the State budget for 2009 and training and wage subsidies for employees of companies affected by the economic crisis. Poland had joined the IMF flexible credit line facility. Overall, Poland had weathered the crisis better than most countries in the region.

Mobilizing additional resources for development
Meeting on 23 April, with reference, in particular, to paragraphs 19 to 31 of the Outcome

20. The Outcome recognized that in order to adequately respond to the crisis, developing countries would need a larger share of any additional resources — both short-term liquidity and long-term development financing. It called for an examination of mechanisms to ensure that adequate resources were provided to developing countries, especially the least developed countries. It stressed the importance of good governance and effective and efficient economic and financial institutions at all levels.

21. Many Member States underlined that developing countries faced an external financing gap of $350 billion in 2009, resulting from declining foreign investment, trade and revenues from tourism and remittances. Those Member States stated that the global response to the crisis had not included sufficient measures and pledges to compensate for that shortfall. Other Member States stressed that donors and partner countries needed to act together to prevent social sector spending from shrinking and that employment creation, rights at work and social protection deserved particular attention.

22. The Outcome had recognized decisions taken by the Group of Twenty (G-20), in particular its commitments to make available an additional $1.1 trillion programme aimed at revitalizing the world economy. Many Member States expressed doubt about whether those funds had been disbursed in an equitable manner truly benefiting those countries which had suffered the most, and pointed to a lack of accountability and data in the follow-up of the G-20 decisions. Many Member States therefore called for greater transparency regarding the flows called

for by the G-20, including how those flows had benefited developing countries, in particular the least developed countries.

23. Many delegations stressed that the multilateral development banks needed further and substantial recapitalization to properly fulfil their mandate. Member States, however, welcomed:

(a) The World Bank Group’s commitment of $88 billion worldwide in loans, grants, equity investments and guarantees since the global economic crisis had hit in the middle of 2008;

(b) The commitment of the International Development Association (IDA) of $7.8 billion to sub-Saharan African countries in fiscal 2009, a 36 per cent increase over the year before.

24. Member States reiterated that official development assistance (ODA) played an essential role as a complement to and leverage for other sources of development finance. It was also pointed out that low-income countries and countries in special situations remained highly dependent on ODA and concessional finance for social spending and necessary investments for development.

25. Many Member States were concerned about the shortfall of $21 billion from the commitments made by the Group of Eight (G-8) at Gleneagles in 2005. They also reiterated their call for firm timetables for further scaling up of ODA. Member States welcomed recent figures from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) that showed continuing growth in development aid in 2009, despite the financial crisis. Total net ODA from DAC donors had risen 0.7 per cent in real terms, but the rise was 6.8 per cent once debt relief, a volatile item, was excluded. Moreover, donor countries had reiterated their commitment to reach ODA targets, including the target of 0.7 per cent of GDP, even as many of them remained severely affected by the downturn. The Working Group heard statements from representatives of the European Union, who gave assurances that it remained committed to achieving 0.7 per cent of gross national income for ODA by 2015, despite the recent debt crisis afflicting many States members of the European Union.

26. Some Member States underlined that ODA needed to be made more effective through full implementation of the Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action and the principles of national ownership, alignment, harmonization and managing for results. Innovative financing mechanisms, particularly those that helped to finance global public goods, deserved further exploration. Member States stressed that illicit financial flows were estimated to amount to several times world ODA; further steps to stem such flows needed to be pursued as a matter of priority.

27. Delegations reaffirmed that each country was responsible for its own development. They emphasized that United Nations deliberations on additional resources for development needed to reflect the overall balance in the Monterrey Consensus between the different sources of development finance, including domestic resources, FDI and trade. Many Member States were concerned about the 12.2 per cent contraction in world trade in 2009. Other Member States were encouraged by the projection by the World Trade Organization of 9.5 per cent growth in trade volumes in 2010. A group of countries had met its commitment of €2 billion annually for trade-related assistance.

28. With regard to securing resources for development from domestic sources, FDI and trade, delegations stressed, in particular, the need for:

(a) An expeditious conclusion of the World Trade Organization Doha Development Round;

(b) Refraining from protectionism;

(c) A universal, rules-based, open, non-discriminatory and equitable multilateral trading system, and meaningful trade liberalization;

(d) Efficient, fair and sustainable tax systems and administrations;

(e) Sound macroeconomic policies aimed at sustaining high rates of economic growth and full employment, supporting low and stable rates of inflation and eradicating poverty;

(f) Promoting gender equality as an essential ingredient in policies to sustain economic growth and reduce poverty;

(g) Additional efforts to enhance the development impact of FDI.

29. Given the decrease in remittances of 6.1 per cent in 2009, many Member States called for measures to reduce transaction costs and facilitate the flow of such funds.

30. The Outcome had underscored that Member States should explore ways to strengthen international cooperation in international migration and development in light of the important contribution of migrant workers to both countries of origin and of destination. Delegations proposed that the Secretary-General, in cooperation with the International Organization for Migration, should develop a mechanism to follow up with concrete measures on the achievement of the objectives in paragraph 27 of the Outcome.

31. Drawing attention to Africa, the Economic Commission for Africa (ECA) conveyed in a presentation to the Working Group that an additional 27 million people would be pushed into poverty in 2010. Export earnings to African countries were estimated at $538 billion over the period 2008 to 2009. Annual capital flight from Africa averaged $49 billion between 2000 and 2008. Before falling significantly in 2009, remittances to sub-Saharan Africa had increased from $1.8 billion in 1990 to $21 billion in 2008. On 23 April 2010, the African Development Bank's shareholders had endorsed a tripling of the Bank's capital resources to nearly $100 billion.

32. In November 2008, African ministers of finance and governors of central banks had confirmed their continued commitment to prudent macroeconomic management, which had led to growth rates averaging 6 per cent since the beginning of the millennium. At the 2009 joint African Union-ECA Conference of Ministers of Finance there was general agreement that there was scope for raising resources by boosting growth, undertaking tax reform and taking advantage of the great potential for the combined volume of Africa's foreign exchange reserves and accumulated pension funds to underpin its infrastructural development.

Access to credit and concessionary finance, fiscal space for countercyclical policies and the current global reserve system
Meeting on 30 April, with reference, in particular, to paragraphs 12 to 14, 16 to 18, 35 and 36 of the Outcome

33. The Outcome recognized that the majority of the world's developing countries lacked fiscal space to implement countercyclical measures to combat the effects of the crisis and spur recovery. The Outcome noted as a welcome step the recent improvement in the lending framework of IMF and called for a streamlining of conditionalities to ensure that they were timely, tailored and targeted. The Outcome underlined that many developing countries faced foreign exchange shortages and acknowledged the calls by many States for further study of the feasibility and advisability of a more efficient reserve system.

34. At the meeting on 30 April, many Member States stressed that a large number of developing countries still had insufficient policy and fiscal space to meet development challenges and pursue countercyclical policies. Those Member States emphasized that unwarranted procyclical conditionalities should not be imposed and called for further reduction of conditionalities. Other Member States stressed that the new conditionality frameworks of the Bretton Woods institutions should be properly assessed before any further steps were considered. Several delegations also recognized that the global financial and economic crisis had demonstrated the importance of compliance with international rules.

35. Some delegations stressed that many countries had implemented a de facto soft coordination of policies and that many developing countries had successfully implemented limited countercyclical measures within their constraints. Some of those measures had been implemented in the midst of currency rate fluctuations over which they had little or no control and which had severely impaired their possibility to plan and execute coherent economic policy.

36. Many Member States emphasized that developing countries still faced an acute and severe shortage of foreign reserves as a result of the crisis. In addition, there were concerns that the multilateral development banks would not have sufficient capital after 2011. Many countries underlined that special drawing right (SDR) allocations were an effective and low cost measure to quickly boost global liquidity, that SDRs were an important source of development finance and that there was an urgent need for a new and significant general SDR allocation in the current basic period. A majority of countries requested a report from the Secretary General by the end of the sixty-fifth session of the General Assembly on the role of SDRs in the expansion of liquidity, stabilization and reform of the global reserve system.

37. Other Member States recognized that new and sizable allocations of SDRs represented an important step forward towards easing global liquidity constraints. Some countries expressed their preparedness to make use of their SDRs to support IMF lending to the poorest countries. The institutional view of IMF was that SDRs were not a tool for development financing but were to be used for liquidity purposes and as a reserve agent.

38. Many Member States emphasized problems arising from a global economy relying on one dominant national currency. Speculation in some commodities had had an adverse effect on the exchange rates of many developing countries. This had caused instabilities. Many countries called for studies on a wider use of regional or

subregional reserve arrangements. Other Member States also expressed openness to further analytical work on the potential advantages and drawbacks of multilateral reserve currency arrangements, including assessing how they could complement States' self-insurance. The emerging importance of the euro as a reserve currency was underlined.

39. A presentation of sovereign ratings and the effect of rating on the cost of non-concessionary finance revealed that such ratings included a broad range of political, legal, economic and industry factors. Sovereign ratings were issued on request and were subject to surveillance and regulation. Many Member States emphasized the need for a more transparent international credit rating system that took fully into account the needs and concerns of developing countries.

40. Drawing attention to Latin America and the Caribbean, the Economic Commission for Latin America and the Caribbean in a presentation noted that, following a sharp deceleration of growth rates, the region had restored access to international financial markets and expected a rebound in 2010. There was a high rate of growth of volatile portfolio investments, particularly bond issues and syndicated loans. Some countries, but not all, had been able to implement countercyclical policies. Unlike in past crises, international financial institutions had assisted several countries in Latin America and the Caribbean rather expeditiously.

41. The IMF presented its overhaul of non-concessional lending facilities and its modernized and streamlined conditionality framework, which included a stronger emphasis on social spending and poverty reduction. The Fund had implemented a low-income countries support package tailored to the individual circumstances of each country.

42. The IMF provided an update on G-20 commitments made in London in April 2009:

(a) The IMF had trebled its resources to $750 billion by September 2009 ($500 billion from G-20 and three non-G-20 members, plus $250 billion in its own resources);

(b) There had been an increase of at least $100 billion from multilateral development bank lending. A $250 billion SDR allocation had been made in August 2009, of which nearly $100 billion went to developing and emerging countries. In addition, additional concessional resources from IMF gold sales had been used to fund $0.5-$0.6 billion in subsidies;

(c) Support for trade finance in an amount of $250 billion had been committed at the London Summit, with an additional $150 billion in contingency funding identified in August, which had an average utilization rate of more than 66 per cent in the first half of 2009 to about 40 per cent in the second half as private markets recovered.

B. Institutional responses to the crisis

Meetings of the Working Group on 3 and 26 May and 2 and 4 June

43. The Outcome recognized that the crisis had revealed many deficiencies in national and international financial regulation and supervision. The Outcome also affirmed that the United Nations, on the basis of its universal membership and

legitimacy, was well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture. Since the Conference, steps have been taken to address systemic weaknesses that contributed to the crisis and there has been a reform of the voice and representation of developing countries in the World Bank. The meetings of the Working Group on 2 and 26 May and 2 and 4 June provided an opportunity for Member States to review the progress to date, exchange views on the need for further reform of the international financial and economic architecture and assess the role of the United Nations in global economic governance, including in relation to informal multilateral structures. In that regard, many Member States put forward proposals for new mechanisms, whereas other Member States stressed the importance of improving existing processes and strengthening ongoing reforms.

44. In the deliberations on institutional responses to the crisis, many Member States called for the Working Group to continue its work during the sixty-fifth session of the General Assembly. Other Member States stressed that there was a need for a sunset clause to limit the Working Group's activities to the sixty-fourth session.

Improved regulation and monitoring
Meeting on 3 May, with reference, in particular, to paragraphs 37 to 41 of the Outcome

45. The Outcome recognized the critical need for expanding the scope of regulation and supervision and making it more effective, with respect to all major financial centres, instruments and actors, including financial institutions, credit rating agencies and hedge funds.

46. Many Member States called for greater developing country participation in key international norm- and standard-setting bodies in financial regulation and supervision, including the Financial Stability Board and the Basel Committee on Banking Supervision. Member States highlighted the potential role of the United Nations in facilitating information exchange among Member States in those matters. Some Member States noted that, owing to a lack of technical expertise, the United Nations was not an appropriate forum to discuss regulatory issues. Many delegations called for more stringent regulation and supervision of financial institutions, which would promote a less volatile exchange rate system, limits on excessive short-term capital flows and steps to curb illicit financial transactions. Several delegations emphasized the need for regulatory reform to address the procyclicality in international bank lending to developing countries. Additional mechanisms were needed to allow for the assessment of and the response to systemic risk posed by less regulated financial sector segments, centres, instruments and actors. Moreover, the current crisis had further demonstrated the urgent need for introducing internationally harmonized norms and standards for financial regulation and supervision. Some delegations proposed examining an international insolvency regime.

47. Several Member States highlighted the progress made so far through the work of the G-20, the Financial Stability Board and other international forums, in particular on: stronger capital and liquidity buffers; improving supervisory processes; convergent and less procyclical international accounting standards; systemic institutions; cross-border crisis resolution; increasing resilience and

transparency of derivative markets; corporate governance; the implementation of the Financial Stability Board standards on remuneration; and non-cooperative jurisdictions.

48. Many Member States also emphasized the need to build an effective framework for enhanced multilateral surveillance and policy coordination. Efforts should target a more even-handed and effective IMF surveillance of systemically important countries, major financial centres, international capital flows and financial markets. Member States highlighted that collaboration and division of labour with other relevant bodies, in particular the Financial Stability Board, needed to be improved, with IMF being responsible for macroprudential but not microfinancial issues.

49. Many Member States noted that effective, fair and sustainable tax systems were critical for economic development, State building and the promotion of democracy and improved economic governance. Delegations underscored that all tax jurisdictions and financial centres should comply with adequate standards of transparency and regulation. Developed countries underlined their commitment to support developing countries in their efforts to that end. Tax evasion constituted a large part of illegal flows and plugging those tax “leaks” required international tax cooperation, including within the United Nations. There were many calls for the conversion of the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental subsidiary body of the Economic and Social Council.

50. Some Member States emphasized the importance of corporate social responsibility and the principles of the United Nations Global Compact, as well as the need to explore new types of partnership between the public and private sectors in efforts to achieve the Millennium Development Goals.

51. The Basel Committee on Banking Supervision presented its work, mandate and response to the financial and economic crisis. The Committee provided a forum for regular cooperation on banking supervisory matters. Its objective was to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. It sought to do so by exchanging information on national supervisory issues, approaches and techniques. The Committee had developed guidelines and supervisory standards such as international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision. Basel Committee standards had become global standards. Preparations were under way to introduce new sets of capital and liquidity standards by the end of 2010. Agreements were reached by consensus, but were not legally binding. The Basel Committee also emphasized that efforts should focus on improved supervision of systemically important banks, more effective risk governance and management, improved market discipline through better disclosure and practical approaches for better management of cross-border bank resolutions. Membership was expanded from 13 to 27 countries in 2009. Outreach to non-members took place through the Basel Consultative Group, the International Conference of Banking Supervisors, the Financial Stability Institute, as well as regular interaction with regional supervisory groups.

52. The Central Bank of Zambia informed the Working Group about measures undertaken to improve the financial regulation and supervision of the financial system in Zambia and stressed that it had good relations with the Basel Committee, although it was not a member. Zambia had weathered the crisis relatively well.

However, the collapse in commodity prices had led to losses in output and deterioration in the loan books of commercial banks. Comprehensive financial sector reforms had been undertaken in the second half of the 1990s. The fallout from the crisis had highlighted the need to further enhance the regulatory framework by adopting risk-based supervision, enhancing the legislative framework, setting standards for capital adequacy, introducing a deposit insurance scheme, enhancing the lender of last resort regime and more effective cross-border cooperation through consolidated supervision of financial institutions, as well as macro- and microprudential regulation of systemic risk.

Reform of the international financial and economic system, including voice and participation of developing countries in the Bretton Woods institutions Meeting on 26 May, with reference, in particular, to paragraphs 43 to 50 of the Outcome

53. The Outcome recognized the need for continued reform and modernization of the international financial institutions to better enable them to respond to the current financial and economic challenges and to the needs of Member States. The Outcome affirmed the consensus on strengthening the existing monitoring, surveillance, technical assistance and coordination roles of the international financial institutions to help prevent the occurrence of similar crises in the future. It also stressed the urgent need for further reform of the governance of the Bretton Woods institutions, on the basis of a fair and equitable representation of developing countries, in order to increase the credibility and accountability of those institutions. It pointed to the importance of an inclusive, consultative and transparent reform process.

54. At the 2010 World Bank-IMF spring meetings, the Development Committee of the World Bank and IMF had endorsed an $86 billion boost in capital for the Bank and an increase in voting power for developing countries, to 47.19 per cent for the International Bank for Reconstruction and Development (IBRD). While welcoming these reforms, many Member States stressed the need for an accelerated road map on further reforms of the World Bank with regard to voice, participation and enhanced voting power of developing countries based on an approach that was truly reflective of its development mandate. Other Member States viewed the shift in voting power to developing and transition countries, in both IBRD and the International Finance Corporation, as a one-time change. They were nevertheless committed to further progress towards equitable voting power. That would require arriving at a new voting formula by 2015 reflecting economic weight and IDA contributions of member countries. There was broad support for an open, transparent and merit-based selection process of leaders and senior officials at the Bretton Woods institutions.

55. A large number of Member States called for fundamental reforms in the IMF governance structure. Many delegations felt that quota shares were the defining governance problem at the Fund and that recent changes in voting power had been insufficient to truly reflect the balance in the global economy. Other countries argued that there was no merit in reopening the quota formula because of the risk of derailing the schedule of the quota and governance review. It was stated that the reform in quota subscriptions at IMF was sufficient to meet the needs of members in normal times while, during exceptional times, borrowing facilities such as the new arrangements to borrow could meet resource needs.

56. There was a call for countries, particularly major emerging countries, to follow the example of the pledge of SDR 4.4 billion by the European Union for new loan resources. Member States welcomed the decision to increase the resources of the World Bank and the regional development banks. Member States emphasized the need to ensure that the multilateral development banks had sufficient resources for their concessional arms. Delegations also emphasized the importance of strengthening the role of all regional development banks in the search for solutions to overcome the financial and economic crisis.

57. The Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (G-24), which is made up of developing States, called for a comprehensive and dynamic formula for the governance of the World Bank that would reflect the evolving economic weight of countries. According to the G-24, there were three main deficiencies in the existing IMF quota formula: (a) economic dynamism was insufficiently recognized; (b) some advanced countries were improperly categorized as underrepresented because of distortions in measures of openness and variability; and (c) borrowers from the Fund had borne a disproportionate share of the recent adjustment in quota shares.

58. A representative of the South Centre, a think tank, argued for a more focused IMF to address the sources and consequences of instability. The representative called for an improvement in policy surveillance of systemically important countries, enhanced monitoring of international financial markets and better early warning systems for fragilities and risks that could spiral into crises.

Strengthening the role of the United Nations in global economic governance Meetings on 2 and 4 June, with reference, in particular, to paragraphs 1, 2, 5, 6, 11, 16, 32, 42 and 52 of the Outcome

59. In the Outcome, Member States recalled that the Charter mandated the United Nations "to achieve international cooperation in solving problems of an economic, social, cultural or humanitarian character" and to be "a centre for harmonizing the actions of nations in the attainment of these common ends". In the meetings on 2 and 4 June, Member States expressed the view that no single multilateral organization or process had responded to the world financial and economic crisis in a globally inclusive, coherent, coordinated and effective manner, and that the crisis therefore had revealed alarming flaws in current global economic governance. Many Member States called for an appropriate follow-up mechanism to enable the United Nations, in particular the General Assembly, to strengthen its role in global economic governance, drawing on its legitimacy, inclusiveness and mandate. Many delegations stressed that fulfilling that role required the political will of all Member States, including the will to strengthen the United Nations development system. Member States stressed the special importance and value added of the United Nations development system in responding to the crisis and that the system needed to be equipped with the necessary resources and capabilities.

60. Several Member States noted that a balance needed to be struck between inclusiveness and effectiveness in global economic governance, building on the mandate and capacities of relevant international organizations. Member States heard a panellist stating that being effective meant an ability to tackle global economic imbalances, facilitate inclusive economic growth for human development

worldwide, adopt an internationally agreed framework for climate change mitigation and adaptation, and advance multilateral trade agreements.

61. Many Member States emphasized the need for stepping up efforts aimed at ensuring and improving coherence and advancing effective complementarities within the United Nations and between the United Nations and other relevant international bodies and institutions and informal multilateral structures, such as the G-20. It was stressed that the United Nations had to offer meaningful, workable, cost-effective solutions with full regard to the reality of the marketplace and the speed and depth of today's globalized economy. A main challenge for the United Nations was to organize itself to keep pace with the development of the global economy, to facilitate prompt action and to use effectively its unique convening power to assume the role derived from the Charter as an overall guardian of social and economic growth and security. A majority of countries called for a study by the Secretariat on strengthening the role of the United Nations in global economic governance.

62. Many Member States commented on the new role of the G-20 and stressed that it lacked a basis in treaty or consent among the larger community of States, in contrast to the United Nations and the Bretton Woods institutions. It was stated that the wider membership of the United Nations was affected by the decisions of the G-20, that those affected by decisions should be able to influence them and that this was essential for legitimacy. The United Nations could play a role in that regard by virtue of its convening power and inclusiveness. Several Member States also commended the G-20 for its quick and effective response to the crisis and emphasized the right of States to convene in ad hoc or informal groups to address mutual challenges. The G-20 had taken important initiatives in support of developing countries and the G-20 summit in Seoul in November could come up with breakthrough ideas for implementation of the outcome of the High-level Plenary Meeting of the General Assembly to review progress in meeting the Millennium Development Goals at the United Nations in September.

63. An informal group of Member States stated that the G-20 should undertake consultations as widely as possible with non-G-20 members before G-20 summits through regular and predictable channels (for further detail, see A/64/706, annex). Those Member States submitted that the participation of the Secretary-General and his representative at the G-20 summits and preparatory meetings respectively should be formalized and that the participation of regional organizations in G-20 summits should be regularized. They called for the G-20 decision-making process to take on a "variable geometry" configuration to allow non-G-20 States to participate in the G-20 process. Other Member States questioned how the United Nations could maintain its inclusiveness if it were to participate in the G-20 process, and stressed that the G-20 could seek observer status at the United Nations, not vice versa. Some delegations called for reviving the consideration of creating a global economic coordinating council at the United Nations.

64. Many Member States stated that G-20 should, as early as possible, share its agenda for upcoming meetings with the United Nations and that the G-20 needed to put in place an active outreach policy towards the United Nations and its Member States that are not members of the G-20. In such a framework, the G-20 should consider Member States' views on its agenda and substantive contributions to its

work with a view to acting more attentively and responsively to the views and needs of the United Nations Member States.

65. Many Member States called for reviewing the agreement between the United Nations and the Bretton Woods institutions and added that there was a need for a fundamental role for the United Nations in the reform of the governance of the Bretton Woods institutions. Other Member States emphasized the autonomy of the governance and decision-making processes of the Bretton Woods institutions. An editor from Thomson Reuters pointed out that the financial press tended to focus on those institutions with financial resources to make a difference globally, such as IMF. The editor said that the United Nations could have a role in providing “thought leadership”, for example with regard to income inequality and in identifying steps that were needed to prevent global financial imbalances from building up again.

66. In her presentation, the Administrator of UNDP emphasized that global governance systems should facilitate both more coherent and better coordinated multilateral responses to crises, and be supported by institutions that were representative, inclusive and effective. She stressed that those affected by the decisions of the G-20 needed to be able to interface meaningfully with the Group. In that context, the United Nations, with its universal membership, broad mandate and convening power, could play a role in ensuring that the G-20 was well informed of the range of views and perspectives of Member States. It was unfortunate that the United Nations was not part of the preparatory processes that determined the G-20 agendas. The UNDP Administrator noted that the United Nations development system had responded swiftly and decisively to the financial and economic crisis.

III. Key issues and proposals put forward by Member States for further consideration

67. The following key issues and proposals were put forward by a large number of Member States for further consideration. The meetings and the present progress report reflect that these issues and proposals are not necessarily consensus positions. The Working Group nevertheless feels that it is pertinent to summarize the key issues and proposals presented by Member States in the present report to facilitate possible further consideration at the United Nations.

68. The following key issues and proposals have been put forward by Member States for further consideration:

(a) Timetables for further scaling up of ODA;

(b) Making ODA more effective by full implementation of the Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action and the principles of national ownership, alignment, harmonization and managing for results;

(c) Enhanced accountability in the follow up of G-20 commitments made at the London Summit to make available an additional $1.1 trillion programme aimed at revitalizing the world economy;

(d) Further and substantial recapitalization of the multilateral development banks to allow them to properly fulfil their mandate;

(e) Increased access to concessionary finance for vulnerable middle-income countries;

(f) Reducing transaction costs for remittances;

(g) Further reduction of conditionalities to enhance the fiscal space of developing countries to pursue countercyclical policies, and a proper assessment of the new conditionality frameworks of the Bretton Woods institutions before any further changes are considered;

(h) Requesting the Secretary-General, in cooperation with the International Organization for Migration, to develop a mechanism to follow up with concrete measures on the achievement of the objectives in paragraph 27 of the Outcome;

(i) A wider use of regional or subregional reserve arrangements and further analytical work on the potential advantages and drawbacks of multilateral reserve currency arrangements, including assessing how they can complement States' self-insurance;

(j) A report from the Secretary-General by the end of the sixty-fifth session of the General Assembly on the role of SDRs in the expansion of liquidity, stabilization and reform of the global reserve system;

(k) A new and significant general SDR allocation in the current basic period, taking into account that SDRs should be an important source of development finance;

(l) Further reforms of the World Bank with regard to voice, participation and enhanced voting power of developing countries;

(m) Greater developing country participation in key international norm- and standard-setting bodies in financial regulation and supervision, including the Financial Stability Board and the Basel Committee on Banking Supervision;

(n) Enhancing the role of the United Nations in facilitating exchange of information between Member States on financial regulation and supervision;

(o) A more transparent international credit rating system that takes fully into account the needs and concerns of developing countries;

(p) More stringent regulation and supervision of financial institutions, which could promote a less volatile exchange rate system, limits on excessive short-term capital flows and steps to curb illicit financial transactions; and upgrading the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental subsidiary body of the Economic and Social Council;

(q) Consultations on a regularized basis between the G-20 and other United Nations Member States before the G-20 summits through regular and predictable meetings, with a view to facilitating a greater influence by other United Nations Member States on the agenda and substantive deliberations and outcome of G-20 meetings, as part of an enhanced mutual outreach policy;

(r) A "variable geometry" configuration in the G-20 decision-making process to allow non-G-20 States to participate in the G-20 process;

(s) Formalization of the participation of the Secretary-General and his representative at the G-20 summits and preparatory meetings, including access to documents and information;

(t) A report by the Secretary-General on strengthening the role of the United Nations in global economic governance and an appropriate follow-up mechanism to enable the United Nations, in particular the General Assembly, to enhance its role in global economic governance, drawing on its legitimacy, inclusiveness and mandate;

(u) Adoption by the General Assembly at its sixty-fifth session of a resolution on global economic governance and matters related to the Working Group, in particular the central role of the United Nations in global economic governance;

(v) A follow-up conference on the world financial and economic crisis and its impact on development in 2012.