United Nations A/66/678

General Assembly

Distr.: General
31 January 2012

Original: English

Sixty-sixth session
Agenda item 18
Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference

Summary by the President of the General Assembly of the fifth High-level Dialogue on Financing for Development (New York, 7 and 8 December 2011)

I. Introduction

1. The General Assembly held its fifth High-level Dialogue on Financing for Development on 7 and 8 December 2011 at United Nations Headquarters. The overall theme of the meeting was "The Monterrey Consensus and the Doha Declaration on Financing for Development: status of implementation and tasks ahead".

2. The Acting President of the General Assembly, Gary Francis Quinlan, opened the meeting on behalf of the President of the General Assembly, Nassir Abdulaziz Al-Nasser. Statements were also made by the Deputy Secretary-General, Asha-Rose Migiro, and the President of the Economic and Social Council, Lazarous Kapambwe. Three ministers, one vice-minister and other officials from 53 Governments made statements to the plenary, including seven representatives speaking on behalf of groups of countries.

3. The second day was devoted to three interactive multi-stakeholder round tables on selected themes, each followed by an informal interactive dialogue. Participants at those informal meetings included high-level representatives of Governments, representatives of international organizations and observers, and 24 representatives of civil society organizations and the private sector. The titles of the round tables and the informal interactive dialogue were as follows:

- Round table 1: The reform of the international monetary and financial system and its implications for development.
- Round table 2: The impact of the world financial and economic crisis on foreign direct investment and other private flows, external debt and international trade.

12-21993 (E) 080212

Please recycle

- Round table 3: The role of financial and technical development cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development.

- Informal interactive dialogue: The link between financing for development and achieving the internationally agreed development goals, including the Millennium Development Goals.

4. The meeting had before it the following reports of the Secretary-General: (a) Follow-up to and implementation of the Monterrey Consensus and Doha Declaration on Financing for Development (A/66/329); (b) Innovative mechanisms of financing for development (A/66/334); (c) International financial system and development (A/66/167); (d) External debt sustainability and development (A/66/164); (e) International trade and development (A/66/185); and (f) 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) (A/66/75-E/2011/87). The discussions held at the plenary meetings, round tables and interactive dialogue meetings are summarized below.

II. Plenary meetings

5. In his opening remarks delivered by the Acting President, the President of the General Assembly expressed deep concern about a range of factors contributing to the uncertain global economic environment, including the sovereign debt crises in Europe, the continuing jobs crisis in developed countries, weaknesses in the financial sector, climate change and volatile food and energy prices. Moreover, political divisions over how to tackle these problems and calls for fiscal austerity were impeding effective and coordinated policy responses. Donors needed to deliver on their official development assistance (ODA) commitments despite fiscal pressures and explore the potential of innovative financing to provide additional resources. After almost a decade of multilateral trade negotiations, the share of the least developed countries in world trade remained extremely low. It was therefore important for the international community to provide duty-free and quota-free access for all products originating from least developed countries and increase resources for aid for trade to enable poorer countries to enhance their trade competitiveness.

6. The President warned that the debt sustainability of developing countries could be adversely affected by the spillover from the European debt crisis. In that context, the effectiveness of debt sustainability frameworks needed to be re-examined through further work at the inter-agency level. It was also necessary to design instruments and institutional mechanisms to better deal with debt distress. He called for better cooperation from multilateral institutions, greater voice and participation of developing countries in the Bretton Woods institutions and more effective macroeconomic policy coordination. There was a need to ensure complementarity of efforts among the Group of Twenty (G-20), the United Nations and other multilateral organizations. The recently established practice of convening informal meetings of the General Assembly before and after the G-20 Summits represented

an important step in that direction. The President concluded by emphasizing that the High-level Dialogue was an important opportunity to mobilize the necessary policy actions and to fully implement the Monterrey Consensus and the Doha Declaration on Financing for Development prior to such important forums as the thirteenth session of the United Nations Conference on Trade and Development (UNCTAD XIII) and the United Nations Conference on Sustainable Development (Rio+20).

7. The Deputy Secretary-General, Asha-Rose Migiro, highlighted the fact that the meeting was being held at a time of continued crisis and uncertainty, not only for the world's poorest and most vulnerable, but also in most donor countries. The economic recovery remained fragile and uneven, unemployment and vulnerable employment persisted, poverty was on the rise, and famine threatened more than 13 million people in the Horn of Africa. As a result, many developing countries needed additional assistance to cope with the impact of the crisis and to expand their social safety nets. Yet, most donor countries, faced with mounting debts, were tightening their budgets. In that difficult environment, it was critical that donor countries fulfil their commitments regarding ODA. Development cooperation was not charity but rather smart investment in security and prosperity. Much more needed to be done to address all the foundations of the partnership for development, as set out in the Monterrey Consensus and the Doha Declaration, including domestic resource mobilization, investment, trade, aid, debt relief and reforms of global economic governance.

8. She stressed that the international community should do more to enable long-term public investments in infrastructure, green technology, human capital, public services and social protection. Moreover, a successful conclusion to the Doha Round of multilateral trade negotiations remained essential. She urged States involved in the Doha Round to achieve an "early harvest" on duty-free and quota-free access for all exports from least developed countries. The debt picture was equally troubling. It was important to ensure that spillover effects from debt crises in the developed world would not jeopardize debt sustainability in developing countries. Fresh efforts were needed to extend debt relief to the poorest and most vulnerable countries and, more broadly, to explore how to deal with debt distress more effectively and fairly. Lastly, she called for enhanced coordination, coherence and effective policymaking across the entire United Nations system. More effective global economic governance should give developing countries a greater voice. Ongoing quota reforms at the Bretton Woods institutions were important steps in that direction. While the values and principles contained in the Millennium Declaration remained as relevant as ever, such new development challenges as inequality, climate change and food and energy security should also be recognized. The United Nations Conference on Sustainable Development provided a crucially important opportunity to give new life to that objective.

9. The President of the Economic and Social Council, Lazarous Kapambwe, highlighted the importance of the Monterrey Consensus and the Doha Declaration for the achievement of the internationally agreed development goals, including those contained in the Millennium Declaration. During 2011, the Council had remained engaged in the financing for development agenda through its special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, the substantive session of the Council and a high-level symposium held in preparation for the 2012 Development Cooperation Forum. The President provided a brief overview of some

major points emanating from the discussions in the Council. First, it was imperative that developed countries fulfil all their ODA commitments. Ensuring sufficient and reliable ODA flows was essential for many developing countries, in particular the least developed countries. A major challenge in achieving long-term growth in least developed countries was investing in their productive capacities and in the creation of decent jobs. In that regard, the Council considered it crucial to build on the outcomes of the Fourth United Nations Conference on the Least Developed Countries and to implement the Istanbul Programme of Action.

10. It was also important to address the development needs of middle-income countries and to better align international support with national priorities in that group of States. Moreover, it was widely recognized that innovative financing mechanisms had the potential to raise resources for development that were additional to ODA. It was also necessary to further explore practical solutions to increase the impact of aid on people's lives. The Fourth High-level Forum on Aid Effectiveness, held in Busan, Republic of Korea, gave new impetus to efforts to root ODA in country-level dynamics and a broader development focus. The President emphasized that the 2012 Development Cooperation Forum would build on that momentum and serve as a major platform for sharing and analysing good practices and innovative approaches to development cooperation. Lastly, in order to overcome systemic impediments to financing for development, international efforts to reform the international monetary and financial system needed to continue. In particular, there was broad consensus on the need to reform the existing governance system and make it less fragmented. In that context, a strengthened and more effective Economic and Social Council could continue to play an important role as a hub for international policy coordination.

11. During the general debate on the overall theme, "The Monterrey Consensus and Doha Declaration on Financing for Development: status of implementation and tasks ahead", many speakers expressed deep concern about the impact of the highly fragile and uncertain global economic situation on trade, capital flows and economic development. A projected downturn in the global economy could threaten the attainment of internationally agreed development goals, including the Millennium Development Goals. Energy, food and commodity price volatility and climate change mitigation and adaptation posed additional challenges requiring renewed and adequate policy responses, especially in support of the least developed countries, as called for in the Istanbul Programme of Action.

12. Several speakers emphasized the importance of domestic resource mobilization for development, including effective tax systems and improved policy and governance frameworks. Governments should maintain the highest standards for accountability and transparency and continue to fight corruption and illicit financial flows. Illegal outflows from developing countries were estimated to exceed total ODA by a wide margin. Consequently, illicit financial flows were a major impediment to development. Curbing illicit flows and returning stolen assets to the country of origin, as mandated in the United Nations conventions against corruption and transnational organized crime, could make a major contribution to development finance. However, some speakers emphasized that, while domestic resource mobilization was important, many developing countries faced tremendous challenges in their efforts to reach the necessary growth rate and investment ratios for sustained development. It was therefore imperative to discuss measures that would lead to an enabling international environment.

13. Several participants expressed concern about the impact of the world financial and economic crisis on foreign direct investment. Some speakers highlighted that private sector flows, including capital flows, trade and remittances, represented the bulk of development financing. Others noted that the volume of foreign direct investment (FDI) flows to least developed countries remained low and mostly concentrated in extractive sectors. Representatives of least developed countries called for the introduction of incentive schemes for multinational corporations, which would help to promote more diversified investments into productive sectors in least developed countries. Some speakers drew attention to the growing inflows of remittances into least developed countries and called for an enabling legal, regulatory and institutional environment, in addition to measures to reduce transaction costs.

14. Many participants expressed concern about trade protectionism and emphasized the need for a speedy and successful conclusion to the Doha Round of multilateral trade negotiations. Some speakers called for an early harvest on (a) the full implementation of the provisions of the World Trade Organization (WTO) Hong Kong Ministerial Declaration concerning duty-free and quota-free market access for all products originating from all least developed countries; (b) a waiver decision on preferential and more favourable treatment for services and service suppliers of least developed countries; and (c) an ambitious, expeditious and specific outcome for cotton trade-related aspects, in particular, the elimination of trade-distorting domestic support measures and export subsidies, and the granting of duty-free and quota-free market access for cotton and cotton by-products originating in least developed countries.

15. Notwithstanding the bleak global economic outlook and fiscal pressures in many donor countries, many speakers called for the full implementation of the commitments and agreements contained in the Monterrey Consensus and Doha Declaration. In particular, donors needed to make good on their promises to deliver on their ODA commitments, despite budgetary constraints. While several speakers acknowledged the efforts made by some donor countries to achieve or even exceed the target of allocating 0.7 per cent of gross national income to ODA, there was concern that the majority of developed countries had not yet met their commitments. Many participants emphasized the potential of innovative mechanisms of financing for development in providing new resources that were stable, predictable and complementary to ODA.

16. Proposals were made to explore new forms of innovative financing, such as a financial transaction tax and a small levy on currency exchanges. South-South cooperation was also seen as an effective way to provide important sources for development finance. In that context, the creation of a task force on South-South and triangular cooperation within the Leading Group on Innovative Financing for Development was proposed. Several countries welcomed the outcome of the Fourth High-level Forum on Aid Effectiveness, held in Busan, Republic of Korea, as an important step towards establishing a framework for aid and aid effectiveness that would embrace traditional donors and emerging economies, as well as civil society and other development partners.

17. Some speakers expressed concern about the debt distress and debt sustainability of developing countries, especially in view of possible adverse effects of spillover from the European debt crisis. Many delegations stressed the

importance of holding comprehensive discussions, including within the United Nations and other appropriate forums, on the need for and feasibility of new sovereign debt restructuring and debt resolution mechanisms. Such discussions should take into account the multiple dimensions of debt sustainability and its importance for the achievement of the internationally agreed development goals, including the Millennium Development Goals. Some participants also called for the cancellation of all least developed country debt and the expansion of the Heavily Indebted Poor Countries Initiative to address the debt problems of all least developed countries. Several delegates called on the international community to follow a more systematic approach to addressing the needs of middle-income countries, with the aim of providing them with increased access to concessionary financing and debt relief.

18. According to several speakers, a new global partnership for development needed to be forged. In the current situation, where the world economy faced severe risks and high market volatility, ensuring equitable economic growth and promoting stability should be the top priorities of the international community. To that end, countries should strengthen macroeconomic policy coordination. Regional initiatives such as the Chiang Mai Initiative could play an important role in crisis prevention and management and effectively supplement existing international financial arrangements.

19. Many participants stressed the need for a substantive and comprehensive reform of the international economic and financial system and architecture. In particular, the world financial and economic crisis had highlighted the importance of further increasing the representation and voice of developing countries in global economic governance. Such reforms should reflect current realities and ensure the full participation of emerging market and other developing countries in decision-making and norm-setting forums. Some participants called on international financial institutions, including the Bretton Woods institutions, to recognize least developed countries as a special category, based on the United Nations vulnerability indices. That would also help to enhance the efficacy of support measures targeted in favour of the least developed countries.

20. Many speakers reaffirmed the relevance of the financing for development agenda in a post-2015 development framework. It was emphasized that the financing for development process must continue to promote mutual accountability, national ownership, inclusive partnerships and a focus on development results. There were calls to further intensify the engagement of all stakeholders in the financing for development process, including the United Nations system, the World Bank, the International Monetary Fund (IMF) and WTO, in the follow-up to and implementation of the commitments contained in the Monterrey Consensus and the Doha Declaration.

21. Several speakers highlighted the recent decision of the General Assembly to consider the need to hold a follow-up conference on financing for development by 2013 in order to strengthen the financing for development follow-up mechanism and adapt the financing for development process to new challenges and emerging issues. Some Member States referred to the request by the Assembly, in its resolution 65/145, that the Secretary-General submit, in August 2012, a report providing elements for an assessment of the existing modalities of the financing for development follow-up process and, on that basis, exploring detailed options

regarding possible arrangements for strengthening the process. It was emphasized that such a report should provide proposals, for the consideration of Member States, on the organization, membership, structure, mandate, scope and other relevant aspects of a proposed commission on financing for development under the authority of the General Assembly.

III. Round table 1. The reform of the international monetary and financial system and its implications for development

22. In her opening remarks, the Chair of round table 1, Maria Luiza Ribeiro Viotti, Permanent Representative of Brazil to the United Nations, emphasized that, despite some measures taken by the international community to address systemic impediments to financing for development, persistent deficiencies of the international monetary and financial system continued to give rise to global instabilities and hampered resource mobilization and crisis resilience in developing countries. There was a need to further reform and strengthen the international monetary and financial system in support of development. Key reform areas were financial regulation and supervision, multilateral surveillance and macroeconomic policy coordination. In addition, it was necessary to address sovereign debt issues, provide global and regional financial safety nets, and further reform the international reserve system. Moreover, many developing countries saw the need for further steps to redress imbalances in terms of their voice and representation in international financial institutions.

Presentations by the panellists

23. Round table 1 featured four presentations, by José Antonio Ocampo, Professor of Professional Practice in International and Public Affairs at Columbia University; Elliott Harris, Special Representative of IMF to the United Nations; Emmanuel Nnadozie, Director, Economic Development and New Partnership for Africa’s Development (NEPAD) Division, Economic Commission for Africa (ECA); and John Vance Langmore, Representative of the Academic Council on the United Nations System.

24. Mr. Ocampo (Columbia University) stressed that the Monterrey Consensus continued to be a crucial framework for advancing financing for development. Regarding systemic reforms, he pointed out that progress had been achieved in three areas, namely financial regulation, the global financial safety net and macroeconomic policy coordination. The establishment of the Financial Stability Board and the adoption of the Basel III rules had advanced financial regulation, despite some weaknesses. The issuance of special drawing rights, new IMF credit lines, regional financial mechanisms and arrangements between major central banks had enhanced global liquidity provision. Economic policy coordination had been strengthened within the G-20, but should be carried out within a formal universal body such as IMF.

25. Mr. Ocampo also highlighted three areas within the international monetary and financial system in which reform progress had been insufficient, namely capital flow management, sovereign debt, and the international reserve and exchange rate system. Cross-border capital flows needed to be integrated in the overall regulatory framework. The lack of a multilateral sovereign debt restructuring mechanism

represented a major gap in the global financial order. The international reserve system was still based on a few reserve currencies. According to the speaker, the role of special drawing rights in that regard should be strengthened. Exchange rate volatilities between major currencies posed serious challenges and needed to be addressed at the multilateral level.

26. Mr. Harris (IMF) discussed several areas in which IMF played a central role. The latest review of IMF surveillance, concluded in October 2011, had identified some remaining gaps, including the need to make surveillance more focused on spillover effects between countries and financial stability. Moreover, IMF surveillance needed to gain traction. The speaker also pointed to the benefits and risks of capital flows. The Fund was developing a policy framework on managing capital inflows. Major elements were structural measures to enhance a country’s capacity to absorb capital, adjustments of macroeconomic policies, and capital controls. Such capital controls could be used under certain country-specific circumstances, but should not serve as a substitute for appropriate macroeconomic policies.

27. Turning to the global reserve system, Mr. Harris stressed the advantages of enhancing the role of special drawing rights as a reserve asset. Special drawing rights would help to reduce precautionary reserve accumulation and diversify the supply of safe global assets. In view of technical and political challenges, however, a major change in the role of special drawing rights was not likely in the foreseeable future. The global financial safety net had been strengthened, including through new IMF facilities. Establishing a global stability mechanism and enhancing synergies with regional financing arrangements were under consideration as further options.

28. Mr. Nnadozie (ECA) emphasized the implications for Africa of current efforts to reform the international financial system and stressed the importance of voicing the views and positions of African countries in the process of that reform. Issues of particular concern to Africa were the provision of support to deal with the impacts of the global financial and economic crisis and the move towards a more inclusive international financial system.

29. Mr. Nnadozie expressed the view that financial resources of international financial institutions should be increased. The participation of Africa in the process of strengthening financial regulation needed to be enhanced. He pointed out that the Basel III framework posed problems for African countries owing to its complexity and implementation costs. He supported the issuance of new special drawing rights as an alternative reserve asset. A tax on financial transactions or institutions was also recommended. In addition, African countries should accelerate the process of putting in place a regional financial architecture to deal with future financial crises. To that end, regional financial institutions established within the African Union should become operational as soon as possible.

30. Mr. Langmore (Academic Council on the United Nations System) focused on the issue of global economic and financial governance. The growth in international economic integration had outpaced the existing capacity for global economic governance. International institutions needed to be strengthened to ensure that they were capable of taking swift and effective action. That had become especially apparent during the recent financial and economic crisis. The crisis had also demonstrated the need for a new economic paradigm that was broader and more inclusive, namely one that did not focus simply on maximizing incomes and

expecting the benefits to trickle down. That would involve, in particular, finding a better balance between the market and the state.

31. Mr. Langmore stressed the importance of stronger regulation of the banking sector, including financial institutions that were perceived as “too big to fail”. Another issue to be addressed through international regulation was tax evasion facilitated by banking secrecy. The most effective way to strengthen international tax cooperation was to establish an international tax organization. That could be done by upgrading the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental body. With regard to international economic policy coordination, the G-20 needed to enhance its legitimacy and outreach. The speaker recalled proposals to establish a global economic coordination council within the United Nations, supported by an international panel of experts.

Discussion

32. During the interactive exchange of views that followed, many speakers expressed the view that the reform of the international monetary and financial system should be a priority issue for the international community. Effective and targeted financial regulation, including of the shadow banking system, was vital. There was also a pressing need for international guidance on the management of capital flows. In addition, illicit capital flows needed to be better addressed at the multilateral level.

33. Some speakers advocated for enhanced cooperation between IMF and regional financial mechanisms. A number also underlined the need to further improve multilateral surveillance and to reform the global reserve system in order to reduce precautionary reserve accumulation. A few speakers expressed support for introducing a financial transaction tax.

34. With respect to individual financial firms, some speakers stressed that financial institutions needed to strengthen their understanding of and preparedness for systemic risks. It was also emphasized that compliance with basic principles of corporate governance was instrumental in enhancing crisis resilience at the firm level.

35. With regard to macroeconomic policies, some speakers pointed to the risks of premature fiscal consolidation in advanced economies in response to high public debt. At the same time, it was noted that medium- and long-term fiscal consolidation plans needed to be credible. A few speakers stressed that overall economic and development models needed to be people-centred and focused on the common good. Policies to foster job creation, social protection, sustainable development and education were vital. Concerns were expressed regarding rising economic and social inequalities. It was noted that countries with more equitable income distribution experienced more sustainable growth.

36. Many speakers pointed out that the system of global economic governance was flawed with gaps and deficiencies and did not properly reflect current economic realities. It was crucial to ensure fuller voice and participation of developing countries in global economic decision-making and norm-setting. Special consideration should be given to the least developed countries. The United Nations should play a leading role in global economic governance, pursuant to its mandate as set forth in the Charter. In particular, the Economic and Social Council should be

reinvigorated and strengthened. There were also calls for continuing reforms of the governance structures of the Bretton Woods institutions. A number of speakers supported stronger linkages between G-20 and non-G-20 members.

37. Some speakers referred to the institutional framework of the Monterrey process and called for a financing for development review conference in 2013. According to several participants, the annual special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD should be strengthened and should feature outcome-oriented discussions. Some speakers also expressed support for upgrading the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental body.

IV. Round table 2. The impact of the world financial and economic crisis on foreign direct investment and other private flows, external debt and international trade

38. In his opening remarks, the Chair of round table 2, Lazarous Kapambwe, Permanent Representative of Zambia to the United Nations, highlighted that the crisis continued to affect developing countries through finance, debt and trade channels. He pointed out that, while net private capital flows to developing countries had recovered over the past couple of years, they had suffered a strong setback in the third quarter of the year owing to the sharp deterioration in global financial markets. Similarly, despite improved external debt indicators in a number of developing countries, debt sustainability remained a serious concern. The effectiveness of debt sustainability frameworks therefore needed to be re-examined through further work at the inter-agency level. He also indicated that the global crisis had distracted policymakers from the Doha Round of multilateral trade negotiations and called for countries to reach a successful and development-oriented conclusion.

Presentations by the panellists

39. Round table 2 featured three presentations, by Lawrence Goodman, President, Center for Financial Stability; Daniel Titelman, Director, Financing for Development Division, Economic Commission for Latin America and the Caribbean (ECLAC); and Michael Clark, Interregional Adviser, UNCTAD.

40. Mr. Goodman (Center for Financial Stability) made three major points. First, while economies and financial markets remained tightly interconnected, the recent crisis had not resulted from that long-standing relationship. Second, while the future for emerging economies was bright, a focused and effective policy response to the current crises was critical since direct and portfolio investors were more actively scrutinizing risks. Lastly, communication strategies relating to policies and plans were pivotal. Mr. Goodman stressed the severity of the current “Great Recession”, which had resulted in a greater relative cumulative deficit than the Great Depression and the 1982 recession in the United States of America.

41. Mr. Goodman warned that the financial crisis had changed the markets’ perception of Governments as risk-free lenders. While public spending had increased demand in many nations, limits to the ability of Governments to stimulate the economy through public spending would soon be reached owing to fiscal

pressures. In that regard, he warned that markets would increasingly scrutinize sovereign balance sheets and income statements. Moreover, public spending constraints would negatively affect the attainment of the Millennium Development Goals. To overcome those constraints, Governments needed to manage local public finance prudently and to think creatively with respect to engaging the private sector. The speaker also highlighted the need for a well-thought-out response to the current debt crises in Europe. He pointed out that the economic subcommittees to the Bank Advisory Committee established during the Brady debt restructuring era provided a blueprint for identifying common ground, deepening communication and paving the way for the benefit of creditors and debtors alike. Looking ahead, sensible economic policies should be guided by long-term growth objectives, sustainable levels of debt and sufficient official resources to support and ensure the successful implementation of policy measures.

42. Mr. Titelman (ECLAC) highlighted the fact that international financial flows to Latin America and the Caribbean had experienced a significant reduction as a consequence of the 2008 global crisis. Factors explaining the reversal included deleveraging by financial institutions and increased risk aversion by investors leading to greater home bias and demand for “safe” assets. International flows had also been suppressed by the higher financial needs of the developed economies and greater uncertainty on the part of investors regarding future prospects for the global economy and for the region. Mr. Titelman emphasized that the 2008 crisis had led to a reduction in both FDI and portfolio flows to Latin America. However, portfolio flows had increased in 2009 and 2010, while FDI had not started to recover until 2010. Moreover, in 2011, capital flows had showed resilience and the appetite for regional assets had remained relatively robust despite renewed concerns about the global economy and heightened risk aversion.

43. Mr. Titelman also referred to trends in other components of capital flows to Latin America and the Caribbean and to trade trends. He pointed out that remittances had decreased as a share of the region’s gross domestic product (GDP) since 2005, while ODA flows had exhibited a declining trend in the past few decades and stood, in 2011, at 0.22 per cent of the region’s GDP, almost 0.3 percentage points lower than in 1990. Mr. Titelman further emphasized that trade flows had fallen substantially in 2009 as a result of the global crisis, yet had recovered vigorously in 2010 and 2011. He argued that the future performance of regional trade would be determined largely by the prospects of developed economies and the level of external demand for commodities by China. The speaker referred to increased global economic uncertainty in recent months, which had raised downside risks for the region. Moreover, greater volatility with regard to exchange rate movements, private flows and terms of trade had become generalized and, consequently, had translated into more volatile GDP growth rates in the region.

44. Mr. Clark (UNCTAD) commented on the leading role of finance and of financial activities in both causing and propagating the crisis and its impacts. He noted that the ongoing financial crisis could end in one of two ways: (a) either through market forces, which would wreak more disruption, dislocation and misery on the world economy; or (b) through a determined and concerted effort by developed and developing countries to rebalance the world economy in a way that was timely, sustainable and just. He called for a more integrated approach to policymaking that not only linked macroeconomic, sectoral, trade and financial

policies in support of growth and development, but also brought together economic, environmental and social policies, leading to sustainable and inclusive outcomes.

45. In particular, Mr. Clark argued that three fundamental tasks must be undertaken to achieve development-led globalization. The first pertained to reforming the financial system, enabling it to be more stable and to better mobilize resources for productive investment. Volatile and pro-cyclical capital flows needed to be replaced with predictable, long-term development finance, enhanced regional financial cooperation, strengthened surveillance and regulation at all levels, and new institutional arrangements. Second, in order to channel financial and other resources towards the right kind of productive activities, industrial development should be a priority. In particular, industrial policy should be aligned with measures to build inclusive development paths and accompanied by complementary policies relating to trade, global rules and regulation and institutional development in areas of particular interest to developing countries, such as commodity markets. The third vital task was to agree on a new globalized social contract, founded upon certain minimum shared expectations and reflecting the fundamental right of all nations to choose their own path to development. A strong social compact would require a range of universal and targeted social policies, tailored to specific circumstances, to ensure that the benefits of growth were widely enjoyed and its risks fairly shared.

Discussion

46. During the interactive discussion, it was noted that countries had seen an uneven and fragile recovery in trade and capital inflows following the world financial and economic crisis. While speakers highlighted the potential for FDI to provide opportunities for capital, job creation and technology, they also emphasized that the volatile nature of short-term portfolio flows called for policy measures to mitigate potentially adverse effects on aggregate domestic demand and economic growth.

47. There were calls for a new paradigm in support of a more equitable, coherent and stable international financial architecture that was based on pragmatism rather than free-market orthodoxy. Such a system should be more supportive of the productive sector of the economy rather than short-term capital movements. It was noted that any reform of national regulatory and policy frameworks needed to be sensitive to the fact that economies and financial markets would remain highly interconnected, as evidenced by the world financial and economic crisis.

48. Some speakers underlined the need to address the plight of the most poor and marginalized people in macroeconomic policy responses to the crisis. It was pointed out that least developed countries were vulnerable to the effects of the crisis through reduced FDI and remittances, volatile commodity prices, the reduction in projected ODA and debt sustainability issues.

49. Some participants stressed the important development contribution of South-South cooperation in promoting FDI and trade flows. It was emphasized that South-South investment and trade flows were likely to grow in significance in the future, in line with faster growth rates in some leading developing economies. Some speakers argued that increased consideration needed to be given to issues pertaining to South-South investment and trade flows within the financing for development process.

50. The need to mobilize finance for infrastructure investments was highlighted. Given its long-term nature, it was argued that infrastructure investment should not be affected by short-term economic considerations. This should be the case especially for investments that were publicly financed. Better infrastructure was also seen as an important vehicle to increase inter- and intraregional trade flows.

51. In connection with the current sovereign debt crises in some developed economies, speakers highlighted the importance of sensitive crisis management and proper communication of policy measures in restoring consumer and investor confidence. There were calls for independent debt work-out mechanisms to prevent future crises. In that regard, the work done by UNCTAD on principles for responsible lending and borrowing was highlighted. With respect to long-term debt sustainability, increasing the capacity to raise national revenue through the reduction of illicit capital flows was also considered important.

V. Round table 3: The role of financial and technical development cooperation, including innovative sourcesof development finance, in leveraging the mobilization of domestic and international financial resources for development

52. In his opening remarks, the Chair of round table 3, Morten Wetland, Permanent Representative of Norway to the United Nations, emphasized that fulfilling all ODA commitments was of vital importance for many developing countries, particularly the least developed countries. However, effective mobilization of domestic resources was essential for sustainable development and for avoiding aid dependency in the long term. He stressed the importance of stemming illicit financial outflows from developing countries and called for increased international tax cooperation. He also stated that Norway had imposed a special tax of 50 per cent on income from petroleum extraction, in addition to the ordinary income tax of 28 per cent, and suggested that resource-rich African countries could follow that example. The speaker noted that the levy was imposed on the value determined by Norway’s Ministry of Finance, not on the price level stated in the invoice submitted by producers. He also drew attention to the complementary role of innovative financing mechanisms and referred to tobacco product taxes and financial and currency transaction taxes as promising new sources of financing.

Presentations by the panellists

53. The round table featured four panel presentations, by Julien Meimon, Head of the Permanent Secretariat of the Leading Group on Innovative Financing for Development (France); Ekaterina Gratcheva, Lead Financial Officer, Banking and Debt Management, World Bank; Abdallah Al-Dardari, Director, Economic Development and Globalization Division, Economic and Social Commission for Western Asia (ESCWA); and Renate Hahlen, Deputy Head, Unit A3 on Coherence of European Union Policies for Development, European Union Aid Effectiveness, European Commission.

54. Mr. Meimon (France) focused his presentation on innovative sources of development financing. He emphasized the potential of innovative finance to complement existing ODA and to remedy some of the quantitative and qualitative shortcomings of ODA, such as insufficient predictability and volatility. According to the speaker, innovative financing mechanisms would not replace existing aid commitments, since they focused primarily on sectors and approaches that currently were not targeted by traditional ODA. However, he highlighted the need to improve the accounting of such flows in Organization for Economic Cooperation and Development (OECD) Development Assistance Committee statistics, in order to ensure their additionality. Furthermore, contrary to common perception, such new forms of development financing would not add much complexity to the existing aid architecture, since the large majority of the countries involved in innovative finance were traditional donors. Moreover, the modalities of managing innovative sources of finance, which included pooling resources, long-term contracting with suppliers to meet recurrent needs of recipient countries and an emphasis on internationally agreed development goals, would make them more effective and flexible than ODA.

55. Many innovative financing schemes, including market mechanisms, taxes on globalized activities, private contributions and debt conversion mechanisms, had proven their viability and capacity to generate substantial amounts of new resources for achieving the Millennium Development Goals. Looking ahead, the speaker argued that the most promising and well-studied mechanism that could be implemented next was the proposed financial transaction tax. Mr. Meimon pointed out that similar taxes in one form or another had been introduced in over 40 countries. He emphasized that a financial transaction tax could raise an additional 30 to 50 billion euros in development resources annually, if it was introduced only in Europe. He reminded the audience of the pioneering role that the United Nations and the financing for development process had played in launching the work on innovative financing. He called for a continued strong global partnership to mobilize global support and solidarity for scaling up existing and promoting new sources of innovative financing, including the financial transaction tax initiative.

56. Ms. Ekaterina Gratcheva (World Bank) pointed out that international flows of development financing had shifted from official flows to private flows. That trend was likely to accelerate in the light of further fiscal tightening in donor countries and the deepening integration of developing countries in global financial markets. The World Bank Treasury was therefore focusing on designing and deploying innovative financial instruments that leveraged official flows to generate additional funds for development. The World Bank offered member countries, for that purpose, flexible and local currency loans, contingent financing mechanisms, credit enhancement, hedging products, catastrophic risk management, client advisory services for asset and liability management and capital market access. Emphasis was placed on risk management to protect sovereign resources against future shocks and on immediately raising the needed resources for rapid response following such shocks.

57. The speaker highlighted the World Bank Treasury’s role in raising funds for the International Finance Facility for Immunization through bond issues. She referred to the case of Malawi, where a drought insurance instrument had been developed in order to provide relief and funding for emergency procurement of food following severe shortages of rainfall. Such proactive, ex-ante use of official

resources resulted in manifold savings in terms of ex-post donor transfers that would have ensued in the absence of such schemes. For instance, the aforementioned weather derivative or a call option to help limit the price of maize imports were associated with ex-ante premium payments of just 10 per cent of the overall payout. The speaker emphasized that such schemes could be expanded to other kinds of risks facing many developing countries and expressed the World Bank's readiness to assist countries interested in those types of mechanisms.

58. Ms. Hahlen (European Commission) presented the European Union progress report on achieving the 0.7 per cent of gross national income aid target by 2015. She emphasized that, despite missing the intermediate goal set for 2010, European Union Heads of State and Government had reaffirmed their 2015 commitment in June 2011. She referred to a recent legislative proposal by the European Commission to allocate 96 billion euros ($130 billion) to European Union external assistance for the period 2014-2020, which would complement the cooperation programmes of member countries. The speaker also assured Member States that the European Union was on track to reach the ODA targets for least developed countries, as enshrined in the Istanbul Programme of Action. In order to increase the impact of its development assistance, the European Union had recently launched an "Agenda for Change", proposing differentiated partnerships with a special focus on assisting the neediest countries, including those in fragile situations.

59. The speaker also emphasized that the European Union attached great importance to aid effectiveness and transparency. In that context, she referred to the European Union transparency guarantee, which obliged its member States to disclose all information on their aid programmes according to the standards of the International Aid Transparency Initiative. Moreover, the European Union joint programming policy required multi-annual collaboration at the country level under the leadership of partner countries. She also highlighted the increasingly important role of innovative financing, particularly the need to mobilize predictable financing for sustainable development and climate change priorities, especially from non-governmental sources. The September 2011 European Commission proposal on a financial transaction tax in the 27 member countries of the European Union was an important step in that direction. The European Union was also working to extend its ODA grants more strategically in order to leverage official resources, grants and loans and to mobilize public and commercial investors. Efforts to set up a common European Union platform for external cooperation and development, involving a wide range of relevant financial institutions in the field, would further enhance innovative financial tools to support, in particular, small and medium-sized enterprises and infrastructure financing.

60. Mr. Al-Dardari (ESCWA) presented the result of a recent ESCWA macroeconometric modelling exercise aimed at forecasting the Arab region's economic performance up to 2025. The model would also link the output to sub-modules dealing with several developmental issues such as poverty, unemployment and malnutrition in the region. The speaker focused in particular on the issue of intraregional financial flows, namely the relocation of accumulated oil wealth and aid flows between oil exporters and oil importers. The main simulation presented by Mr. Al-Dardari involved a scenario of investing 10 per cent of the projected receipts of the oil exporters in the oil importing countries, with a 0.5 per cent increase in intraregional aid. Such an oil revenue transfer resulted not only in a dramatic improvement of the economic performance of the recipient

countries, but also in a higher rate of return for investors compared to their expected return in international capital markets.

61. Based on those results, the presenter advocated an explicit policy of encouraging much closer regional integration among Arab countries as one of the most promising avenues to accelerate economic growth and sustainable development in the region. In the light of the fact that an estimated $150 billion liquidity surplus was sitting idly in the region’s banks, he predicted a fast and substantial impact, in terms of structural transformations, employment generation and poverty reduction, of improved financial intermediation among the regional countries. ODA and innovative financing approaches could promote such regional integration and help to realize immediate benefits such as capital formation and poverty reduction in recipient countries.

Discussion

62. During the interactive discussion that followed, there was a broad agreement among delegates that commitments to ODA targets, including those for least developed countries, should not be weakened in the current fragile economic environment. However, many speakers stressed that scarce official funding should be used more efficiently and that additional resources could be leveraged from non-public sources.

63. It was noted that effective domestic resource mobilization was an essential requirement for sustained economic development, employment generation and poverty alleviation and for avoiding continuing aid dependency. Strengthening public finances, including through international tax cooperation, and expanding investment opportunities and bankable investment projects in developing countries through private-public partnerships were also emphasized.

64. Many delegates insisted that innovative financing flows needed to be additional to ODA commitments. In that context, ensuring transparency of aid flows was key to ensuring additionality. The best practices of the existing mechanisms should be scaled up, where possible, and new sources of innovative financing should be actively explored. Currently, the most promising and well-studied mechanism was the financial transaction tax, including the currency exchange tax. Many speakers called for concrete steps towards its implementation, possibly by a select group of like-minded countries in Europe. The activities of the Leading Group on Innovative Financing for Development were actively supported.

65. In addition, some participants mentioned taxing arms trade and wealth, microfinance, and risk mitigation through private-public partnerships in developing countries as innovative sources of finance. Others stressed that ODA and innovative approaches should be used to promote regional integration among Arab countries and countries in the Eurasian region. The Financing for Development Office of the Secretariat was encouraged to arrange more frequent interactions among practitioners of innovative financing within the United Nations.

VI. Informal interactive dialogue: the link between financing for development and achieving the internationally agreed development goals, including the Millennium Development Goals

66. In her opening remarks, the Chair of the meeting, Enkhtsetseg Ochir, Permanent Representative of Mongolia to the United Nations, stressed that achieving the Millennium Development Goals required strengthening the global partnership for development, as embodied in Goal 8, the 2002 Monterrey Consensus, the 2002 Johannesburg Plan of Implementation and the 2005 World Summit Outcome. However, in terms of Goal 8, the international community fell short on three fronts. First, even as ODA had reached record levels in 2010, donor Governments intended to increase spending more slowly in 2011-2013. Second, WTO had yet to conclude the Doha Round of multilateral trade negotiations. Third, although there had been major efforts to increase access to medicines and information and communications technologies, their costs remained prohibitive in many developing countries. At the same time, new challenges requiring concerted global action had emerged over the past decade, including the impact of the world financial and economic crisis, additional costs of climate change mitigation and adaptation and damage to the Earth's environment, new forms of economic cooperation, price volatility in international markets of key commodities and South-South cooperation.

Presentations by the panellists

67. The informal interactive dialogue featured four presentations, by Cho Tae-yul, Ambassador for Development Cooperation, Ministry of Foreign Affairs and Trade, Republic of Korea; Eduardo Gálvez, Deputy Permanent Representative of Chile to the United Nations; Olav Kjorven, Assistant Administrator and Director of the Bureau for Development Policy, United Nations Development Programme (UNDP); and Roberto Bissio, Coordinator, Social Watch.

68. Mr. Cho briefed participants on the outcome of the Fourth High-level Forum on Aid Effectiveness, held in Busan, Republic of Korea, from 29 November to 1 December 2011. According to the speaker, the Busan Forum had marked a new beginning in global development cooperation, taking into account a rapidly changing development landscape. The increasing involvement of new donors made the global aid architecture more complex. Moreover, development cooperation faced multiple challenges, such as economic and financial crises, climate change, conflicts and natural disasters. Against that backdrop, Mr. Cho pointed out that the Busan meeting had been held not only as an intergovernmental process but also as a multi-stakeholder forum. Delegates from over 160 countries, 70 international organizations and 300 civil society organizations and some 100 partners from the private sector had participated.

69. Consequently, the Busan Forum had launched a new global partnership for effective development cooperation that involved emerging economies, civil society and the private sector. That partnership was rooted in common goals, shared principles and differential commitments collectively identified at the Forum. The meeting had also broadened the focus from aid to development, recognizing the catalytic role of aid in leveraging other development resources. The speaker stressed

the need to give full consideration to the more comprehensive concept of development effectiveness. The Busan Forum had eventually ushered in systematic cooperation among various global development forums, including the Development Cooperation Forum.

70. Mr. Gálvez pointed out that the Millennium Development Goals and the 2002 Monterrey Consensus were crucial reference documents for the entire international community. The agreements and commitments achieved at the International Conference on Financing for Development in Monterrey, Mexico, were to be implemented in a continuous and gradual process. The Monterrey process was closely linked to Goal 8 on developing a global partnership for development. It was necessary to further strengthen that partnership, in particular with reference to developing an open, rule-based, predictable, non-discriminatory trading and financial system and addressing the special needs of least developed countries, landlocked developing countries and small island developing States. The Monterrey process was an instrument for achieving the internationally agreed development goals, including the Millennium Development Goals, which at the same time went beyond the Goals in some areas. The speaker pointed out that the Goals excluded some issues that were also relevant to development, such as inequalities among and within countries and the overall equity of the international economic and financial system.

71. One crucial feature of the Monterrey Consensus was that it addressed structural and systemic aspects of the world economy. In particular, chapter VI of the Consensus was aimed at enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. Those systemic issues should also be taken into consideration when discussing a framework to succeed the current Millennium Development Goals framework after 2015. As one major systemic issue, Mr. Gálvez emphasized that global economic governance was of fundamental importance at the multilateral level. There were serious gaps and deficiencies in the existing international framework for global economic governance for development. It was necessary to consider how the United Nations could be strengthened in order to remain relevant and respond to the evolving challenges of global governance. The speaker stressed that the United Nations must play an important role in the global economic governance framework and should not be reduced to providing development and humanitarian assistance.

72. Mr. Kjorven emphasized that there had been progress towards achieving the Goals, despite some setbacks. Many developing countries had shown considerable crisis resilience. Nevertheless, a number of serious development challenges persisted, including the adverse impacts of the financial and economic crisis, the food crisis and youth unemployment. With respect to the financing for development process, there had been mixed progress. ODA remained significantly below the United Nations target. Innovative sources of financing for development had promising potential, but remained of limited significance to date. Despite successes in debt relief, many countries had been excluded from relevant initiatives. In that regard, he stressed the need to further enhance financial inclusion in order to boost domestic resource mobilization.

73. The Busan Forum had had a positive outcome. The outcome document had been approved by both developed and developing countries. A new development partnership involving not only emerging markets, but also civil society in

development cooperation efforts was necessary. The speaker also highlighted the importance of aid transparency, quality and effectiveness, which were equally as important as aid volume. Aid should be spent strategically and should leverage other development resources, for instance in the energy sector.

74. Mr. Bissio pointed out that the growth of world income and trade over the past two decades had not resulted in similar progress in social development. He emphasized that, while total world exports had multiplied almost five times in 20 years (from a total value of $781 billion in 1990 to $3.7 trillion in 2010) and the world average income had more than doubled in per capita terms ($4,079 in 1990 to $9,116 a year in 2010), the basic capabilities index calculated by Social Watch, which tracked the world averages of essential social indicators, had grown by only 10 per cent in 20 years. Consequently, economic growth did not ensure improvements in such important areas as poverty, health, nutrition and education. Inequalities were on the rise, not only between countries, but also between the rich and poor within individual countries.

75. Mr. Bissio stressed that mounting disparities had been aggravated by the “financial paradox” of the international financial system: some least developed countries accumulated more money every year in their central bank reserves than the amounts they received as ODA. That trend had led to a situation where the poorest of the world provided soft loans to the “new highly indebted powerful countries”. The resulting net transfer of financial resources from developing to developed countries posed a threat to the global public good of financial stability. Urgent measures were needed to address that situation and should include curbing speculation, breaking up large financial firms, enhancing banking supervision and taxing the financial sector. The speaker also called for strengthening the financing for development process through the establishment of an intergovernmental commission on financing for development.

Discussion

76. During the discussion that followed, there was broad consensus that in order to achieve the Millennium Development Goals, action on the part of both developing and developed countries must be scaled up. Goal 8, namely the development of a global partnership for development, was based on the principles enshrined in the Monterrey Consensus and reaffirmed in the Doha Declaration. Speakers emphasized that the global partnership provided the foundation for the achievement of all the Goals. Its implementation called for a concerted and sustained effort on the part of all relevant stakeholders, including Member States, international organizations, civil society and the business sector. In particular, cooperation between the United Nations and the international financial institutions, including the Bretton Woods institutions, should be improved. The need to explore ways to strengthen the financing for development follow-up process was emphasized in the interest of meeting the Goals.

77. Many speakers noted that the recent world fuel, energy, financial and economic crises had led to lower incomes and higher unemployment in developing countries as a result of drops in external flows, lower export revenues and decreases in remittances. That threatened the hard-won and uneven gains made in the fields of poverty reduction, health and education. To counteract the negative impact of the crises, especially in countries with special financing needs, it was crucial to meet

the targets of Goal 8. The international community should deliver on its ODA commitments, enhance aid effectiveness and reduce conditionalities. It was noted that the quality of statistics needed to be improved to make aid more effective, particularly for countries with special needs. Innovative sources of finance had shown their effectiveness in providing additional resources for the realization of the Goals and should be promoted and explored further.

78. Several participants welcomed the Fourth High-Level Forum on Aid Effectiveness at which the “Busan Partnership for Effective Development Cooperation” had been adopted. However, some delegates stressed that the Busan outcome was not a United Nations document and that it must not distract from the implementation of existing ODA commitments. In that connection, the difference between the nature of South-South cooperation and traditional North-South cooperation was highlighted.

79. Several speakers emphasized that the international community needed to galvanize efforts to make progress on the Goals that fell far short of agreed targets, especially the reduction of maternal mortality, the promotion of gender equality and environmental sustainability. They pointed out that mechanisms to lower pharmaceutical prices had the potential to advance health targets, while enhanced access to technology could provide powerful tools to deal with climate change and increase agricultural productivity. While the importance of focusing development aid on the Goals was generally recognized, some speakers also highlighted the need to follow longer-term development policies that reached beyond the Goals.

80. Many participants called for fulfilling the development promise of the Doha Round of multilateral trade negotiations, increasing aid for trade to compensate for loss of tariff revenues and resisting protectionism, as well as extending measures to achieve the debt sustainability of developing countries. Some speakers also highlighted the importance of the private sector in achieving the Goals and called for the creation of an enabling environment for business investment.

81. It was stated that good governance at all levels was crucial for the attainment of the Goals. Domestically, developing countries should continue to implement national development strategies aimed at poverty reduction, job creation and sustained economic growth. In that regard, it was crucial to provide them sufficient policy space. At the international level, the recent world financial and economic crisis had highlighted the need for comprehensive reform towards a more equitable, coherent, participatory and development-oriented international financial architecture.

82. At the closing of the Dialogue, the Acting President of the General Assembly made concluding remarks (all materials of the meeting are available from http://www.un.org/esa/ffd/hld/HLD2011/).