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

Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the World Bank, the International Monetary Fund, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 14 and 15 April 2014)

I. Introduction

1. The special high-level meeting of the Economic and Social Council with the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) was held in New York on 14 and 15 April 2014. The overall theme of the meeting was "Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda". The meeting featured an opening address by the Deputy Secretary-General and statements on behalf of the Trade and Development Board of UNCTAD, the joint Development Committee of the World Bank and IMF, the International Monetary and Financial Committee of IMF and WTO.

2. The meeting was organized around a ministerial segment, two thematic debates and a multi-stakeholder dialogue, each of which was followed by an interactive discussion. The ministerial segment focused on the theme "World economic situation and prospects". The thematic debates were organized around the themes of "Mobilization of financial resources and their effective use for sustainable development" and "Global partnership for sustainable development in the context of the post-2015 development agenda". At the multi-stakeholder dialogue on the way

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forward, the participants discussed all three themes. The participants had before them a note by the Secretary-General (E/2014/53), in which background information was provided and possible questions for discussion under the three themes were suggested.

3. The meeting was preceded by preparatory consultations and meetings between the Bureau of the Economic and Social Council and the executive boards of the World Bank and IMF, in addition to intergovernmental representatives and senior management of WTO and UNCTAD, at which the agenda and format of the meeting were discussed and agreed upon.

4. Speakers at the ministerial segment included three ministers, two central bank governors and a European Commissioner. A significant number of executive and alternate directors of the executive boards of the World Bank and IMF attended the meeting. Also participating were high-level government officials in the areas of finance, foreign affairs and development cooperation, in addition to senior staff of organizations of the United Nations system and other international organizations, including the major institutional stakeholders. Representatives of civil society and the business sector also participated actively.

II. Opening of the special high-level meeting

5. The opening of the meeting featured statements by the President of the Economic and Social Council, Martin Sajdik (Austria), and the Deputy Secretary-General.

6. The President, in his statement, welcomed the participants to the meeting, emphasizing that it was being held at a critical moment when the United Nations was engaged in shaping the post-2015 development agenda in New York. He began by noting that, according to the United Nations flagship publication, *World Economic Situation and Prospects 2014*, world gross product was expected to grow by 3 per cent in 2014. Some European countries continued to face tough challenges, however, with unemployment rates at 27 per cent and youth unemployment at more than 50 per cent. Extremely high structural unemployment also existed in North Africa and Western Asia, in particular among young people. He stressed that the post-2015 development agenda would require a comprehensive financing framework to ensure the mobilization of all financing sources and their effective use for sustainable development. He noted that the work of the Intergovernmental Committee of Experts on Sustainable Development Financing was expected to have a decisive bearing on the intergovernmental deliberations on financing for development in support of the post-2015 development agenda. He pointed out that a comprehensive financing strategy should incorporate all forms of financing, including public and private, domestic and international. Ultimately, however, financing for development in most countries would be generated domestically. Policymakers would need to think creatively about how to provide investors with appropriate incentives to invest in sustainable development. The environment for investors must be stimulating, which would be achievable only through good governance, transparent public institutions and the rule of law. At the same time, traditional development cooperation, and official development assistance in particular, would continue to play a significant role, especially for least developed and other vulnerable countries. Lastly, he noted that the Economic and Social

Council could promote synergies between various processes and events leading towards a global development agenda beyond 2015. That new development agenda, with poverty eradication and sustainable development at its core, needed to be based on a strengthened global partnership for development that reflected the changes in the global development landscape and engaged all actors. It also needed strong monitoring and accountability mechanisms. The Development Cooperation Forum High-level Symposium on accountability and effectiveness of development cooperation, held three weeks earlier in Berlin, had underscored that there was a need for such a global umbrella framework for accountability in development cooperation.

7. In his statement, the Deputy Secretary-General said that inequalities had increased as a result of the global crisis, meaning that macroeconomic policies worldwide must focus on a strong, balanced and sustainable recovery, with particular emphasis on jobs. In that respect, strengthened multilateralism was important, in particular in the areas of global trade and macroeconomic policies. He called for efforts to accelerate progress towards the attainment of the Millennium Development Goals to be strengthened, even though the international community had begun to set the direction beyond 2015 by shaping a new development agenda. He welcomed the beginning of deliberations on the means of implementation of the post-2015 development agenda, especially on financing. He noted that the Secretary-General, in his meeting with the multilateral development banks just a week earlier, had urged further cooperation with Member States and the United Nations system to strengthen strategies for development financing. He highlighted that official development assistance remained critical, in particular for those countries most in need. Developed countries should deliver on both official development assistance and climate finance commitments. Countries also needed to strengthen and develop long-term, stable and inclusive national financial systems. Equitably expanding tax revenue in developing countries would not only increase the domestic resources available for development, but also promote accountability and public oversight. Moreover, the world could not continue to ignore illicit financial flows that deprived countries of much-needed revenue and reinforced corruption and crime. That issue had to be tackled in countries of origin and in countries of destination. He concluded that the task ahead had two facets: ensuring that hard-won development gains were preserved and putting the world on a sustainable development path that was underpinned by a new global partnership for development based on equity, cooperation and, above all, accountability. The role of the Economic and Social Council and the organizations present would be crucial in those endeavours and the upcoming third international conference on financing for development would afford a unique opportunity to foster sustainable development.

III. Ministerial segment on theme 1: "World economic situation and prospects"

8. The morning session featured a high-level panel on the theme of "World economic situation and prospects", followed by an interactive discussion. The panel began with a presentation by the Chief of the World Economic Studies Division of IMF, Thomas Helbling, and was followed by interventions by the Ms. Commissioner for International Cooperation, Humanitarian Aid and Crisis Response of the European Union, Kristalina Georgieva; the Minister of Trade and

Development Cooperation of Denmark, Mogens Jensen; the Permanent Representative of the Plurinational State of Bolivia to the United Nations (speaking on behalf of the Group of 77 and China), Sacha Sergio Llorentty Solíz; the Governor of the Central Bank of Austria, Ewald Nowotny; the Vice-Minister of Finance of Libya, Moraja Buhlaiga; the Deputy Minister of Finance of Turkmenistan, Muhammetguly Muhammedov; the Governor of the Central Bank of the Sudan, Abdelrahman Hassan Badelrahman Hashim; and the President of the Eurasian Economic Club of Scientists, Murat Karimsakov.

9. Mr. Helbling presented the highlights of the most recent IMF *World Economic Outlook* update. He noted that global growth had strengthened in the second half of 2013 and was expected to accelerate further in 2014 and 2015. Emerging markets and developing economies were expected to strengthen only modestly, however, with increased risks stemming from a changing external environment. Looking ahead, he predicted that fiscal policy in advanced economies would be less tight in 2014 and 2015, except in Japan, and that monetary accommodation would continue, with interest rates in the United States of America expected to begin rising in 2015 Global growth was expected to strengthen to 3.6 per cent in 2014 and 3.9 per cent in 2015, although those rates remained well below potential. In the case of emerging markets, exports were expected to be supported by stronger demand from advanced economies, although that would be offset by tighter financing conditions. Growth in emerging markets was expected to slow in general, with growth in China expected to moderate. The fundamentals in most countries remained reasonable, however, with high foreign exchange reserves, low inflation and a still-positive aggregate current account balance. Many emerging-market currencies had depreciated, helping adjustment and aggregate capital inflows still to remain positive and likely to pick up further. Uncertainties remained, however, owing to the crisis in Ukraine, which could have a negative impact on the world economy. In conclusion, he recommended that policies for emerging and developing countries should include exchange rate flexibility to better absorb shocks, well-anchored inflation rates, a fiscal policy that was geared to medium-term objectives pertaining to public and external debt and structural reforms to increase medium-term growth.

10. Ms. Georgieva warned that the risks arising from natural disasters and conflicts were not sufficiently taken into consideration in the assessment of the world economic situation. Natural disaster costs, for example, had quadrupled in the past 25 years, with the steep upward trend bound to continue in coming decades. Disasters had both fiscal and supply chain consequences. Conflicts, such as in the Syrian Arab Republic or the Central African Republic, had additional negative macroeconomic and microeconomic impacts and were tearing apart the social fabric of countries. To tackle those issues, the European Union was assessing its own risks and had put in place investment policies to address them within Europe. Furthermore, in its development policies and humanitarian aid, the Union had made fragility a priority, focusing on countries at risk of disasters and conflict.

11. Mr. Jensen stressed that growth was key to poverty eradication, but that it needed to be inclusive. Most importantly, that entailed job creation. Governments and the private sector had complementary roles in driving forward those goals. He also highlighted the dramatic changes in the landscape of development finance, such as much greater expectations for the role of private sector financing in development. Given the role of private financing, it was critical for labour rights to be upheld and for other challenges, such as illicit flows and aggressive tax planning, to be taken

on. At the same time, official development assistance would continue to play a significant role, in particular in the least developed countries.

12. Mr. Llorentty Solíz noted that the meeting was significant because it was being held in the context of the follow-up process to the United Nations Conference on Sustainable Development, the preparatory process for the third international conference on financing for development and the discussions on a post-2015 development agenda. In that context, he suggested that the Economic and Social Council should be strengthened to enable it to play a coordinating role on development issues. He stressed that the international monetary and financial system should be reformed in order to render it more effective, transparent and legitimate. The international financial architecture would need to give more voice to developing countries and the financial system would need to be duly regulated. He called for a far-reaching reform of the Bretton Woods institutions, especially with a view to increasing the representation of developing countries in their decision-making processes. Lastly, he stressed that the spirit of the Monterrey Consensus of the International Conference on Financing for Development should be maintained, while common but differentiated responsibilities should be the guiding principle for a new global partnership for development. Effective means of implementation would be at the heart of a renewed and strengthened global partnership. He urged developed countries to meet their official development assistance commitments, in particular to achieving the target of 0.7 per cent of gross national income to developing countries by 2015, in addition to the target of 0.15 to 0.20 per cent of gross national income to the least developed countries. He added that the United Nations should remain at the centre of efforts to coordinate a follow-up process for financing for development.

13. Mr. Nowotny noted that advanced economies were back on the recovery track, while emerging markets were under pressure. Eastern Europe and the Russian Federation had witnessed considerable capital outflows as a result of the situation in Ukraine. In addition to long-term structural factors, cyclical factors were at play, including through the tapering of monetary policies in the United States, which was affecting global financial markets. In particular, tapering had a substantial impact on emerging markets. Problems in those markets were rooted in the period of easy finance after 2008, which had taken advantage of capital flowing out of developed countries and led to credit booms and asset price increases. That had resulted in diminished impetus for reform and deteriorations in current accounts. Emerging markets would have to be better prepared for the normalization of policies in the advanced economies. Moreover, to maintain investor confidence, it was of utmost importance to avoid further complications such as the escalation of geopolitical tension.

14. Mr. Buhlaiga noted that the meeting would contribute to reaching agreement on a post-2015 development agenda. He asserted that the United Nations system must play a critical role in coordinating international efforts to mobilize resources for sustainable development finance and that common but differentiated responsibilities must remain the guiding principle for development cooperation. The global financial and economic crisis had revealed a malfunction in global economic governance, he said, stressing that there was a need to strengthen the role of the United Nations in the international economic and financial realm. Stronger efforts would be needed to create a financial system that would seek to channel investment towards sustainable development. He stated that official development assistance

commitments should be fulfilled and debt restructuring facilitated, emphasizing that the Monterrey Consensus and the Doha Declaration on Financing for Development represented a comprehensive framework that should guide such efforts in the future.

15. Mr. Muhammedov spoke of his country's policies aimed at attaining sustainable development. Turkmenistan had adopted a medium-term development plan in line with the Millennium Development Goals with the aim of changing the country into a modern economy in harmony with its traditions and values. That sustainable development model, supported by pragmatic State regulations, was yielding good results. He wished other countries similar success.

16. Mr. Hashim welcomed the spirit of the financing for development agenda. He deplored the lack of achievement towards attaining the Millennium Development Goals in some African countries, including his own. He noted that the obstacles included the high debt burden, which had persisted in some countries, the Heavily Indebted Poor Countries Initiative notwithstanding. More debt relief was therefore needed for achieving the Goals in the Sudan and some other countries.

17. Mr. Karimsakov provided information about his association, which had been established in 2008 in Astana to pool the efforts of researchers in order to find ways to overcome the financial crisis. At the World Anti-Crisis Conference, held in Astanain 2013, participants had drafted a world anti-crisis plan. The Second World Anti-Crisis Conference was to be held in May 2014 in Astana and would support the push to achieve the Millennium Development Goals by 2015 and to define a new post-2015 development agenda. He proposed that the Economic and Social Council should be the main coordinating body for implementing the Anti-Crisis Plan and invited all participants to the Second World Anti-Crisis Conference.

18. In the ensuing discussion, participants affirmed that the Monterrey Consensus and the Doha Declaration provided a strong foundation for a financing strategy for sustainable development. They asserted that stronger global cooperation was needed to avert major risks and promote sustainable development. There was a need for adequate policy space and an enabling global environment that would include not only development-oriented policies in the areas of trade, finance and debt, but also better representation of developing countries and emerging economies in the governance of the international financial system.

19. Some participants emphasized that the underperformance of the world economy partly stemmed from excessive austerity and that problems relating to unemployment, including youth unemployment, and inequality needed to be resolved.

20. While recognizing that all sources of financing would need to be tapped to achieve sustainable development, participants also stressed that official development assistance would remain a key component of international development finance. There were calls for donor countries to meet their official development assistance commitments and for better alignment of aid flows with country priorities. Participants noted that the private sector had abundant financial resources, yet public and private finance were distinct and should be seen as complements, not substitutes.

21. Participants, in particular those from the Group of 77, also said that the means of implementation for the post-2015 development agenda should consist of a mix of

financial resources, technology transfer and capacity-building and be delivered in accordance with the principle of common but differentiated responsibilities.

22. There was also recognition that climate change was an immediate challenge and that the Green Climate Fund would need to be capitalized urgently. In that context, several participants noted that the financing for development track from the Monterrey Consensus and the Doha Declaration and the climate change financing track were separate. Given that participants in the United Nations Conference on Sustainable Development had called for a comprehensive development agenda, the question was raised as to whether and how those streams should be integrated.

IV. Statements by institutional stakeholders

23. The morning session concluded with statements by the President of the Trade and Development Board of UNCTAD, Triyono Wibowo (Indonesia); the Vice-President and Corporate Secretary of the World Bank Group and Acting Executive Secretary of the joint Development Committee of IMF and the World Bank, Jorge Familiar Calderón; the Deputy Secretary of IMF and Acting Secretary of the International Monetary and Financial Committee, Calvin McDonald; and the Deputy Director General of the World Trade Organization, Yi Xiaozhun.

24. Mr. Wibowo reported that the UNCTAD forecast for the world economy foresaw below-potential global growth, making it slightly more pessimistic than the IMF forecast. He suggested that proactive and demand-driven policies could lead to better and more stable growth that would benefit every country. In that context, UNCTAD believed that income-protecting policies merited special consideration. In addition, developing countries should focus on investment and diversification. He pointed out that, with regard to the mobilization of financial resources, achieving existing and new development goals would require significant investment, well above current levels. In that regard, private finance would need to be increased. Indeed, foreign direct investment was already six times higher than official development assistance. The right policy framework and conditions needed to be created to facilitate additional investment at both the national and global levels. Lastly, he noted that the role of the Economic and Social Council in developing a post-2015 agenda had to be strengthened, along with the voice of developing countries in discussions in the international arena, and that more reforms were needed in the areas of debt and tax cooperation.

25. Mr. Familiar Calderón reported on recent discussions in the Development Committee on the global economy and the progress in implementing the new strategy of the World Bank. The Committee had recognized that fostering strong and inclusive growth would require policy adjustments and agreed upon the importance of social inclusion, capacity-building and integration of environmental concerns in the context of sustainable development and poverty eradication. It had also discussed and strongly supported the Bank’s reforms and its new strategy to achieve its goals — ending poverty and achieving shared prosperity. He noted that, among other measures, the Bank created global practices, so that knowledge gains in one country would be available globally.

26. Mr. McDonald noted that the continuing recovery of the global economy remained uneven. IMF would continue to analyse the implications of unwinding monetary support in developed countries and would assist countries in dealing with

that issue. The full range of financial facilities, including precautionary facilities, would remain available. On the fiscal front, IMF would continue to work on policy advice and would advance reform options on sovereign debt restructuring, in addition to contributing to the global debate on tax issues. As to financial sector policies, it would continue to assess the impact of regulatory fragmentation, advance the discussion on cross-border resolution regimes, the impact of shadow banking and macrofinancial risks, in addition to filling data gaps. With regard to issues of policy coherence and coordination, IMF would continue to monitor the impact of country policies through its spill over reports and integrated surveillance mechanism. Lastly, reiterating that IMF quota reforms remained a priority, he urged the United States to ratify them at the earliest opportunity.

27. Mr. Yi stated that the discussions around the sustainable development goals had to date lacked a specific focus on trade. Nevertheless, trade had a critical role to play in achieving the Millennium Development Goals and in economic growth more generally. It could lead to employment creation, including of better and more decent jobs, given that employment in export-oriented industries typically paid higher wages than in other sectors. Trade liberalization was critical for some of the fastest-growing economies. It needed, however, to be supported by other reforms, such as improved property rights and supply capacity, to yield results. For that reason, he suggested that the role of trade must not be downplayed in the post-2015 development agenda. Instead, it should be an integral part of the sustainable development goals, as a development policy instrument and as an enabler of socioeconomic development. The Bali package and the Doha Round work programme could also support the delivery of sustainable development goals, for example in the area of financing.

V. Thematic debate on theme 2: “Mobilization of financial resources and their effective use for sustainable development”

28. The first thematic debate featured presentations by the Co-Chairs of the Intergovernmental Committee of Experts on Sustainable Development Financing, Pertti Majanen (Finland) and Mansur Muhtar (Nigeria), and the Special Envoy on the Millennium Development Goals and Financial Development of the World Bank Group, Mahmoud Mohieldin.

29. The Co-Chairs of the Intergovernmental Committee of Experts on Sustainable Development Financing referred to the work of the Committee, which had been established in follow-up to the United Nations Conference on Sustainable Development and was currently discussing options for an effective sustainable development financing strategy. Mr. Majanen began by emphasizing the foundations of the Committee’s work, which were the Millennium Declaration, the Monterrey Consensus and the outcome document of the United Nations Conference on Sustainable Development, entitled “The future we want”. He then referred to the state of the work of the Committee, pointing out that the Co-Chairs had been collaborating with the Co-Chairs of the Open Working Group on Sustainable Development Goals to ensure that the reports of the two processes, which would both be submitted to the General Assembly in September 2014, were coordinated. The Committee had decided to organize its work in three clusters: assessing financing needs, mapping of current flows and emerging trends and the impact of

domestic and international environments; mobilization of resources and their effective use; and institutional arrangements, policy coherence, synergies and governance. All three clusters would submit reports on their findings to the Co-Chairs by 25 April 2014 There were already areas where broad agreement among the Committee was evident. For example, the preliminary findings of the first cluster suggested that global savings, estimated to be some $18 trillion annually, were sufficient to meet the very large estimated sustainable development needs. The challenge thus lay in promoting a financial system that provided incentives to use a percentage of public and private savings to meet those needs. The Committee had benefited greatly from the input of outside experts and from its interaction with other stakeholders, including civil society and the private sector. In that regard, he referred to the recent outreach event organized by the Committee in Helsinki on co-creating new partnerships on financing for development. The participants at the event had included senior representatives of the private sector, civil society, Governments and other experts on partnerships. He cited some of the conclusions from the meeting, including the need to turn principles for investing, such as human rights, environment, anti-corruption and responsible investment, into specific action. That paradigm shift could be facilitated by, among other things, making sustainable development an essential element in company strategies, making better use of synergies between public and private financing and creating innovative partnerships leading to development-enhancing investments that were fair to taxpayers. A summary of the discussions had been prepared and would be available on the Committee's website.

30. Mr. Muhtar raised the issue of sources of financing for the post-2015 development agenda. There had been agreement in the Committee that, as specified in the Monterrey Consensus, countries were responsible for their own development and that the international environment should play a supportive role. It was therefore necessary to strike the correct balance between domestic resource mobilization and country ownership, on the one hand, and international obligations and commitments, on the other. Domestic resource mobilization was a critical element of public financing, but had to be considered according to each country's capacity. Sustainable growth was a precondition for raising those resources, while at the same time there was a need to combat illicit flows and facilitate international tax cooperation. While official development assistance would remain crucial for the eradication of extreme poverty, especially in the poorest countries, it alone would not suffice to meet sustainable development needs, even if all donor countries met their commitments. Private investment would have to play an essential role in meeting those needs. To date, however, such investment had been insufficient and not provided incentives for long-term investment in sustainable development activities. Public policies would be needed to set the right incentives to attract private investment to sustainable development, together with an enabling national and international environment. He referred to the potential role of public finance in leveraging private flows into key development sectors. At the same time, there was a need for governance reforms at the global level, promoting a fair and rules-based multilateral trading system and a stable global financial system. He also highlighted the importance of efforts to mobilize additional and innovative sources of finance for sustainable development, including through the implementation of a financial transactions tax and a carbon tax, in addition to remittances. More work was needed in those areas, including on the scalability and replicability of some initiatives and on measurement and additionality issues.

31. Mr. Mohieldin presented an overall framework on financing for development beyond 2015, under which sound policies and institutions would make more effective use of existing resources and leverage additional financing. Its pillars included enhancing domestic resource mobilization, having better and smarter aid and drawing on the domestic and external private and financial sectors. Innovative financing and innovation were at the core of the framework, with the goal of leveraging additional resources and improving efficiencies. To strengthen domestic resource mobilization, he recommended improving taxation capacity, enhancing collection of natural resource revenue, curbing illicit financial flows and increasing expenditure efficiency. He stated that the private sector should be viewed as a partner in development, through its role in job creation and income growth, through measures to use and leverage private finance into key development-enhancing sectors and through the mobilizing of philanthropy and encouraging of corporate social responsibility. He referred to the challenges of mobilizing finance at the country level, pointing out that countries needed to determine their policy and financing strategies to implement post-2015 development goals, given the scarce financial resources and levels of access to private finance. Countries also faced the challenge of mobilizing private long-term finance for infrastructure. Key measures included putting in place an adequate legal and regulatory framework, ensuring a pipeline of high-quality projects, mainstreaming the use of risk-sharing mechanisms with support from multilateral financial institutions, having appropriate financial regulation and developing domestic capital markets. Attracting the large pool of untapped resources from institutional investors could scale up development finance. He also emphasized the importance of well-structured initiatives with a diverse range of partners to help Governments to raise the large sums of capital required to meet infrastructure needs. Lastly, he called for continuing global dialogue at all levels and among all actors on new paths for development finance.

32. In the ensuing discussion, participants stressed that there was a need to attract private investment into sustainable development sectors. The importance of having effective insurance coverage for foreign direct investors was mentioned, as was the need to have effective models for public-private partnerships. Curbing crime and corruption were also referred to as important conditions for attracting foreign direct investment and fostering the development of the local private sector. In that regard, one participant stated that the rule of law and efforts to combat crime should be incorporated as separate goals for the post-2015 development agenda and the sustainable development goals. At the same time, the private sector would also benefit from a coherent and predictable policy environment.

33. While noting that countries should bear primary responsibility for their own development, participants highlighted the continuing importance of official development assistance for poverty reduction. Some stressed that that assistance would not be sufficient to meet projected sustainable development needs even if donors were to meet their aid commitments. The importance of South-South cooperation for sustainable development, on the understanding that it should be voluntary and not be viewed as a substitute for official development assistance from developed countries, was also stated.

34. Some participants emphasized the importance of implementing reforms of the governance structures of the international financial institutions. In particular, they stressed that the 2010 IMF quota reforms should be implemented to ensure the credibility of IMF when it advised other countries on policy reforms. Participants

also mentioned a need to enhance the funding of international financial institutions and regional development banks.

35. There were calls for a fair and rules-based multilateral trading system and for a stable global financial system. It was stated that those and other systemic issues should be incorporated into the post-2015 agenda. There were calls for greater international cooperation on tax matters so as to curb tax evasion and illicit financial flows.

36. It was emphasized that financing for sustainable development should build on the Monterrey Consensus and the Doha Declaration. The work of the Intergovernmental Committee of Experts on Sustainable Development Financing would provide important input to the preparatory process for the third international conference on financing for development.

VI. Thematic debate on theme 3: "Global partnership for sustainable development in the context of the post-2015 development agenda"

37. The second thematic debate featured presentations by the co-facilitator of the preparations for the third international conference on financing for development, George Wilfred Talbot (Guyana), and the Deputy Director of the Development Cooperation Directorate of the Organization for Economic Cooperation and Development (OECD), Serge Tomasi.

38. Mr. Talbot began by outlining the experience of the current global partnership for development and its role in promoting the implementation of the Millennium Development Goals. The concept of a global partnership for development as a set of commitments on promoting development had a long history at the United Nations. The global partnership for development called for in Goal 8, which was underpinned by the Monterrey Consensus, had galvanized international momentum in mobilizing a wide range of stakeholders to help to achieve the Goals. Although it had made a significant contribution, the global partnership remained an item of unfinished business. Its potential in advancing the other Goals had been constrained by its own shortcomings. For example, momentum in reaching the target of allocating 0.7 per cent of gross national income to development aid had stalled in recent years. In addition, the global trading system remained complex and fragmented and the world continued to lack a comprehensive framework for resolving debt problems. In the same vein, there remained a need for greater access to affordable essential medicines to accelerate the progress being made on the achievement of the health-related Goals. Greater technology transfer and access to technologies, in particular for climate change mitigation and adaptation and disaster risk reduction and resilience, were also required. Looking ahead, he stressed that a new global partnership for development would need to tackle new challenges and integrate the economic, social and environmental dimensions of sustainable development. It would also require a strengthened and more robust monitoring mechanism in order to track progress in the implementation and fulfilment of commitments by Member States.

39. He shared his views on the potential contribution of the forthcoming third international conference on financing for development to the post-2015

development agenda, stating that a broad and comprehensive financing framework for sustainable development should build on the Monterrey Consensus and the Doha Declaration and go further in taking on new challenges and emerging issues. In that respect, the framework must also take into account the important work of the Intergovernmental Committee of Experts on Sustainable Development Financing. He emphasized the potential of the third conference to provide a firm foundation for a global partnership for sustainable development in the context of the post-2015 development agenda.

40. Mr. Tomasi spoke on the work being undertaken in the OECD Development Assistance Committee on new ways to measure development finance. He stressed that the definition of official development assistance had hardly changed since 1969, apart from being clarified and supplemented by other concepts such as country programmable aid or other official flows. At the same time, the financing for development landscape had radically altered. For example, the number of developing countries eligible to receive official development assistance had fallen sharply and some developing countries had emerged as new economic Powers, themselves providing increasing amounts of foreign aid. At the same time, sources of finance beyond official development assistance were becoming more prominent, especially foreign direct investment and remittances. In the 1970s, official development assistance had comprised more than half of all external funding of developing countries, while it currently represented only 18 per cent. That gap between rapid economic development and the relative stability of the official development assistance definition had led to growing criticism of the indicator. He introduced some of the main considerations in the continuing discussions in the Committee on the matter. One proposal envisaged a two-circle approach from an aid provider's perspective. At the core would be a modernized official development assistance measure focusing on a grant equivalent. That modernized measure would be part of a broader measure encompassing total official support for development, which could include all public development financing instruments used by countries, regardless of their degree of concessionality. It would therefore also incorporate market mechanisms such as guarantees, private equity from development banks and debt cancellations. An issue under discussion was whether that broader measure should also include private finance mobilized by official action.

41. In the ensuing discussion, several participants stressed that official development assistance was a significant source of finance for many developing countries. It was also pointed out that official development assistance should not be used solely for leveraging private capital, which in any case needed to be undertaken in a considered and balanced manner. It was also reiterated, however, that, while important, official development assistance alone would not suffice to finance sustainable development.

42. The importance of developing innovative public-private partnerships was emphasized. Participants stressed that there was a need to build capacity to enable developing countries to develop a pipeline of bankable projects. In that regard, a need to develop effective processes at the country level to better identify key projects was also mentioned. It was pointed out that the global partnership for development was a work in progress and should be strengthened. That there was a need to better incorporate the private sector and civil society into the global partnership was emphasized. With regard to the private sector, however, it was

asserted that companies should take note of human rights and poverty reduction objectives when undertaking operations. In addition, there should be an appropriate regulatory framework ensuring that activities did not adversely affect sustainable development.

43. Participants noted the absence of a suitable measure of economic vulnerability and fragility. Gross domestic product per capita did not take into account vulnerability and fragility, meaning that there was a need for a broader measure incorporating conflict, external economic challenges and natural disasters.

44. That there was a need for greater coherence in the international policymaking arena was highlighted. It was stated that multilateral organizations should work cooperatively to achieve the goal of sustainable development.

VII. Multi-stakeholder dialogue on the way forward

45. The second morning featured a multi-stakeholder dialogue on the way forward, during which the discussion of the previous day on the three themes of the meeting continued. The dialogue included presentations by the Chair of the Committee for Development Policy and Director of Economic and Political Development Concentration of the School of International and Public Affairs of Columbia University, José Antonio Ocampo Gaviria; the founder and Chief Executive Officer of Cornerstone Capital, Erika Karp; and the Director of the Rethinking Bretton Woods Project of the Center of Concern, Aldo Caliari. It was followed by an interactive discussion.

46. Mr. Ocampo presented the conclusions of a recent meeting of the Committee for Development Policy. The Committee had made two major policy recommendations: greater international cooperation on tax matters and the need for a debt workout mechanism. It had also emphasized that international tax cooperation was necessary to mobilize more public resources for sustainable development. Asymmetry between the mobility of capital and labour had generated an erosion of tax bases. Over time, the shifting of taxation towards labour incomes had generated regressive tax systems, a tendency that could be reversed only through international cooperation. One specific proposal was to upgrade the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental organ. On external debt, he pointed out that overindebtedness affected developing and developed countries alike. Existing mechanisms did not work as well as they should. Collective action clauses faced serious aggregation problems because they were not universally applied, while voluntary negotiations faced major challenges through potential litigation. In that respect, he referred to the proposal in the Monterrey Consensus to move towards a sovereign debt restructuring mechanism.

47. He then highlighted the principles proposed by the Committee for rethinking the global economic governance system: common but differentiated responsibilities and respective capabilities; subsidiarity; inclusiveness, transparency and accountability; and coherence. He called for more active use of IMF special drawing rights as an international monetary system and recommended the development of a multilayered architecture for international monetary cooperation. He emphasized the importance of regional and intraregional development banks in providing a set of powerful monetary arrangements that would support IMF. He also asserted that the

use of country groupings in the international development discourse frequently had weak analytical foundations, such as the notion of the group of fragile States. Overall, the least developed countries category, which incorporated three criteria (per capita gross domestic product at market prices, human asset and vulnerability indices), was the best, in terms of a sound analytical foundation and general legitimacy, given that it had been adopted by the General Assembly. He underscored the importance of the Development Cooperation Forum as the premier forum that could help to create synergies between development cooperation processes and explore the increasing role of multi-stakeholder partnerships. More effective accountability in development cooperation remained a major issue and better mechanisms were important in following up on the post-215 development agenda. The Forum should also promote further work on the links between development cooperation and the provision of global public goods.

48. Ms. Karp said that, from the perspective of the private sector, capitalism could deliver economic growth and sustainable development if capital markets were appropriately regulated to serve the needs of the real economy. Leveraging private sector resources was critically important for ensuring adequate financing for the implementation of the post-2015 development agenda and achieving sustainable development, given the enormous need to tackle emerging issues such as climate change, which outpaced public sector resources. Currently, the largest 1,000 companies accounted for 7.8 per cent of revenue and 8 per cent of jobs in OECD countries and possessed a large pool of funds invested in capital markets. She drew attention to technological innovations such as big data and social media that were transforming the way in which business was done. In particular, the heightened level of corporate transparency was offering new opportunities to influence business activities for the good of society. The most responsible companies were interested in contributing to socially desirable goals by investing in projects with high social returns. The key to unlocking their potential lay in finding innovative ways to incentivize them. The world was also witnessing an intergenerational transfer of an enormous amount of wealth, which was made evident by the pool of some $50 trillion in financial assets. The challenge was to find the right ways to direct the available funding to the companies whose objectives were aligned with sustainable development. That included most of the largest companies that valued corporate excellence and corporate sustainability, which presupposed, in turn, inclusiveness, transparency and collaboration. Generally speaking, there was no inherent conflict between profit and sustainable development in the long term.

49. Mr. Caliari discussed the potential for institutional investors, including pension, mutual, private equity and sovereign wealth funds, to provide financing for sustainable development. He questioned the view that global savings could simply be unlocked to underwrite long-term financing needs. For example, infrastructure had been considered to be an asset class that could generate high risk-adjusted returns, on the one hand, and helped to ensure returns by diversifying the portfolios of asset managers, on the other. Evidence for both those effects was, however, highly contested among researchers, as was the soundness of attributing uniform properties to an asset class covering a heterogeneity of sectors and instruments that could be considered infrastructure investments. He emphasized that infrastructure investment came with considerable risks that could end up being transferred to taxpayers and users of infrastructure, especially in developing countries. One channel through which that occurred would be through public-private partnerships,

which were the main mechanism for channelling private investment into infrastructure. He referred to studies that showed that a major reason why public-private partnerships were chosen as an investment modality was because they helped to conceal the budgetary and fiscal impacts of infrastructure projects. Poor governance and institutional environments, including a lack of transparency, allowed Governments and investors to avoid scrutiny, increasing the chance that risks would materialize. Indeed, public-private partnership contracts were rarely, if ever, disclosed to the public. In addition, some inherent characteristics of public-private partnerships introduced a layer of complexity that defeated efforts to advance transparency and accountability, including the fact that such partnerships were generally long-term contracts and that government risks were off budget (contingent liabilities).

50. He said that greater public indebtedness was another channel through which risk linked to infrastructure investment would be transferred to the public. The parameters that defined debt sustainability in low-income countries had been gradually relaxed, allowing those countries to contract growing levels of public debt, in particular for infrastructure. It was important to recognize that low-income countries faced an impossible choice between underinvesting in infrastructure or mobilizing the necessary funds in any way possible. Their increased levels of borrowing for infrastructure could, however, represent the seeds of a new debt crisis. The risks generated by the pursuit of debt-financed investment were, as happened with public-private partnerships, magnified in poor governance environments. In short, the reliance on institutional investments to finance infrastructure could be advised only for countries in which there were highly developed legal and institutional frameworks and systems of checks and balances that included high levels of transparency and public engagement.

51. In the ensuing discussion, participants underscored the importance of mobilizing all sources of financing for sustainable development to support the post-2015 development agenda. The upcoming third international conference on financing for development was highlighted as a unique opportunity to engage all stakeholders for that objective. In that context, participants called upon one another to avoid duplication of efforts among intergovernmental processes and to support a robust and open preparatory process involving all relevant stakeholders.

52. The view was expressed that the success of the post-2015 development agenda would largely depend on ensuring increased official development assistance for vulnerable countries to assist them in reducing poverty and tackling new challenges, such as climate change. Such an agenda should also include commitments relating to trade, foreign direct investment and technology transfer to help developing countries to eradicate poverty.

53. Moreover, participants underscored the need for an international sovereign debt resolution mechanism. It was suggested that such a mechanism could be negotiated within IMF, but would function independently, similar to an investment dispute resolution system. The mechanism would allow time-limited voluntary negotiations, followed by mandatory arbitration. Some participants stressed the importance of further debt relief beyond the Heavily Indebted Poor Countries Initiative, especially for countries suffering the consequences of conflicts and natural disasters or those lagging behind in efforts to achieve the Millennium Development Goals. They emphasized the importance of honouring existing official

development assistance commitments, which continued to account for 70 per cent of the external financing for least developed countries.

54. Some participants called for more effective monitoring of official development assistance commitments and expressed opposition to any downward revision. Several highlighted the importance of not politicizing aid, emphasizing that unilateral sanctions would impede progress towards achieving the Millennium Development Goals.

55. Some participants from the business sector and civil society expressed concern about the lack of social protection, human rights abuses and wasteful military expenditure in many countries. They criticized government bail-outs of financial institutions that were deemed too big to fail. Some participants emphasized that, while partnerships between the private and public sectors were highly desirable, their success depended on good governance and proper and effective institutional arrangements.

56. Participants highlighted the need to improve global governance structures to prevent tax evasion and transfer mispricing and to ensure that international trade agreements did not prevent the regulation of cross-border capital flows for prudential reasons. One put forward the idea of introducing a global minimal floor for corporate tax rates.

VIII. Concluding remarks by the President of the Economic and Social Council

57. The President of the Economic and Social Council expressed thanks to all participants for the positive spirit of engagement and the high quality of their contributions. He noted that the deliberations on the state and prospects of the world economy had highlighted that there was a need for greater cooperation and coherence in macroeconomic policies. Moreover, the deliberations had highlighted that the mobilization of resources for sustainable development would depend on strengthened international cooperation anchored in a coherent financing framework for sustainable development. He echoed the calls made for a renewed and strengthened global partnership for sustainable development to mobilize a wide range of stakeholders in support of the post-2015 agenda. He expressed the view that, in the light of the recently adopted reforms of the Council, a strengthened Council would be able to play an effective coordinating role and meaningfully support the implementation of the post-2015 development agenda.

58. He summarized the main features of the discussions, noting, among other things:

(a) That the need for a stable and prosperous global economy for achieving sustainable development had been highlighted. Discussions in the ministerial segment on the world economic situation and prospects had confirmed that a recovery from the global economic and financial crisis was under way, albeit uneven between countries. In particular, it had been noted that, while advanced economies were back on the recovery track, emerging markets were under significant pressure. In addition to long-term structural factors, cyclical factors were at play, including through possible adaptions to monetary policies in the United States;

(b) That participants had identified the period of easy finance after 2008 as being at the root of problems in emerging markets. Expansionary policies had taken advantage of capital outflows of developed countries, leading to credit booms and asset price increases. At the same time, the impetus for reform had diminished and current accounts had deteriorated, making those economies vulnerable to capital outflows;

(c) That it had been noted that, to address those concerns, strengthened multilateralism would be needed. The Economic and Social Council had been seen by many as a platform to provide such improved cooperation;

(d) That participants had also cautioned that, improved global growth notwithstanding, the global employment situation remained bleak and inequalities continued to grow, although there were also some signs of improvement;

(e) That, during the thematic debate on mobilization of financial resources and their effective use for sustainable development, the importance of the work of the Intergovernmental Committee of Experts on Sustainable Development Financing had been highlighted;

(f) That several participants had emphasized the importance of building on the Monterrey Consensus and the Doha Declaration as a conceptual basis for an updated financing framework for the post-2015 agenda. Many had emphasized the importance of employing the full range of financing sources and non-financial means available, including private and public, domestic and international, while taking into consideration their different characteristics, rationales and specific strengths;

(g) That participants had agreed that official development assistance would remain important, in particular for the least developed countries. All had welcomed the recent rise in official development assistance, which had followed a two-year-long downward trend. It had been stressed, however, that more progress would be needed to meet the 0.7 per cent target;

(h) That some participants had pointed to the uncertainties that could emanate from the current tensions between Ukraine and the Russian Federation, with considerable capital outflows — also from the latter — and currency depreciations in recent weeks;

(i) That there had been calls for governance reforms at the global level, for a fair and rules-based multilateral trading system and for a stable global financial system. There had also been calls for greater international cooperation on tax matters to curb tax evasion and illicit financial flows;

(j) That many participants had also highlighted the great potential of private sector financing to contribute to sustainable development. Public policies would, however, need to set the right incentives to support private sector investment in sustainable development. In that regard, the rule of law, good governance and transparent institutions played a crucial role. The importance of private public partnerships, based on coherent policies at all levels and sufficient policy space, had been emphasized;

(k) That, in the second thematic debate on a global partnership for sustainable development in the context of post-2015 agenda, participants had highlighted that the agenda would need to be based on a renewed and strengthened global partnership for development. Such a partnership would need to contain strong monitoring and accountability mechanisms;

(l) That the upcoming third international conference on financing for development had been highlighted as an important occasion to provide the new global partnership with a holistic and comprehensive financing framework;

(m) That many participants had stressed that global economic governance and the voice and representation of developing countries in economic decision-making bodies would need to be improved as a matter of urgency;

(n) That, during the multi-stakeholder dialogue on the way forward, participants had reiterated many of the themes touched upon in the earlier sessions and focused on the way forward. Specific proposals had included a sovereign debt restructuring mechanism, improved international tax cooperation to address tax avoidance and more extensive use of special drawing rights. The potential of the private sector to provide long-term investments in areas critical for sustainable development had been highlighted, while there had also been calls for strong institutional frameworks and transparency in the engagement of public with private actors.

59. He pointed out that the record of the Millennium Development Goals was generally a good one, but more must be achieved. To that end, the international community must mobilize a set of dynamic multi-stakeholder partnerships to achieve its common goals, with strengthened intergovernmental cooperation at the centre. The post-2015 agenda should define the critical elements of such a collaborative approach. He expressed hope for continued support and cooperation from all parties in order to move towards an ambitious post-2015 development agenda that would enable the international community to achieve sustainable development for all.