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High-level dialogue on strengthening international economic cooperation for development through partnership

New York, 17-18 September 2001

**Responding to Globalization:
Facilitating the Integration of Developing Countries into the
World Economy in the 21st Century****Background note on sub-item (a)****Promoting the integration of developing countries into the world economy
and generating new public and private financing resources
to complement development efforts***Introduction*

The consideration of this theme within the context of the High-level Dialogue is especially opportune. The United Nations General Assembly will convene an International Conference on Financing for Development to be held in Monterrey, Mexico, from 18 to 22 March 2002. In this regard, the Organization has been working in close collaboration with the World Bank, the International Monetary Fund and the World Trade Organization on preparations for this event. The process has also witnessed a significant outreach to the business sector and civil society.

At its meeting in September 2001, the joint Bank/Fund Development Committee will consider financing for development as the main item on its agenda. At the same time, preparations are underway for the fourth Ministerial Meeting of the WTO in Doha, Qatar, from 9 to 13 November, where the possible launch of a new round of trade negotiations, perhaps a "Development Round", is the subject of intense consultations.

These processes, coupled with ongoing initiatives aimed at reforming the international financial architecture, have significant implications for efforts to integrate developing countries into the global economy and generate new financing for development. What follows is a brief survey of some of the recent developments at the international level as regards financing for development and related processes.

International Conference on Financing for Development

General Assembly resolution 54/196 of 22 December 1999 sets out the main purposes of the International Conference: to address national, international and systemic issues relating to financing for development in a holistic manner in the context of globalization and interdependence; and to address the mobilization of financial resources to reach the goals set by the major United Nations conferences and summits organized during the 1990s. In September 2000, the world leaders gathered at the Millennium Summit resolved to “make every effort to ensure the success” of the International Conference. At the Summit, they also agreed on clearly defined development goals, including the halving of the proportion of the world’s population living in extreme poverty by 2015.

The Preparatory Committee for the International Conference, established in January 2000, has held a series of organizational and substantive sessions. Most recently, the first part of its third substantive session was held from 2 to 8 May 2001. The Committee has agreed on a wide-ranging agenda of issues, covering six broad areas, as follows:

- ❑ Mobilizing domestic financial resources for development
- ❑ Mobilizing international resources for development: foreign direct investment and other private flows
- ❑ Trade
- ❑ Increasing international financial cooperation for development through, inter alia, official development assistance
- ❑ Debt
- ❑ Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

The Secretary-General presented a comprehensive set of policy recommendations, some eighty-seven in total, in his report (A/AC.257/12) to the Preparatory Committee for consideration at its second substantive session held from 12 to 25 February 2001. In addition, a number of proposals and ideas have been advanced by governments, as well as by representatives of civil society and the private sector, for consideration by the Committee.

On 28 June 2001, a high-level panel appointed by the Secretary-General and chaired by Mr. Ernesto Zedillo¹, former President of Mexico, released its report (A/55/1000) containing recommendations on strategies for the mobilisation of resources required to facilitate equitable and sustainable economic growth in developing countries, and to fulfil the 2015 international development goals endorsed at the Millennium Summit. Among its various findings, the report estimates additional costs for achieving the 2015 goals at some 50 billion US dollars annually.

These submissions together with the inputs from Governments and other relevant actors provide a substantial basis for the consideration of measures to generate new public and private financing for developing countries. They will be further considered in the preparatory process for the International Conference on Financing for Development.

The heightened attention of the international community to financing for development is occurring at a time of renewed uncertainty about global economic prospects. The United Nations

¹ The panel also included Mr. Abdulatif Y. Al-Hamed, Mr. David Bryer, Ms. Mary Chinery-Hesse, Mr. Jacques Delors, Ms. Rebeca Grynspan, Mr. Alexander Y. Livshits, Mr. Abdul Magid Osman, Mr. Robert Rubin, Mr. Manmohan Singh and Mr. Masayoshi Son.

World Economic and Social Survey 2001 points out that with recovery from the 1997-1998 international financial crises still incomplete, the world economy is facing another significant decline in growth of world output and trade.

While the previous global economic slowdown was set off by financial turmoil in some developing countries and economies in transition, the current one started with a retrenchment in economic activity in developed economies, particularly in the United States of America, during the second half of the year 2000. Indications point to a slowdown in the growth of Global World Product (GWP) to 2½ per cent for the year 2000, down from earlier forecasts of 3½ per cent, and a possible recession if the global economy does not pick up in the coming months. In addition, expansion in international trade is also expected to decelerate to 5½ per cent in 2001, down from 12 per cent in 2000.

These developments will have significant implications for development prospects, at least in the short to medium term. They provide an important backdrop to the discussions on financing for development that will take place in the months leading up to the Monterrey Conference. Preparations for the Conference are now at a crucial stage. The Preparatory Committee for the Conference will reconvene on 15 October 2001 to begin examination of a draft text of the Conference outcome document, which will be made available in mid-September.

Other relevant events

The need to generate new public and private financing resources has been emphasized in the context of various UN conferences of the 1990s. The recent reviews of those conferences and other major UN conferences, as summarized below, have reiterated their calls for increased financial resources, including from new and innovative sources, to support the efforts to achieve the goals and targets set in the outcomes of their respective conferences.

UNCTAD X

The Plan of Action adopted at the tenth session of the United Nations Conference on Trade and Development highlighted the need to strengthen international cooperation efforts to improve the existing international financial system with a view to preventing recurrence of crisis, providing better mechanisms for crisis management and making it more conducive to trade and development. Challenges identified in the area of the mobilization of external resources for development included: mobilizing enhanced and more stable sources of international investment flows towards a larger number of recipient developing countries; reversing the decline in ODA and ensuring effective targeting and use of ODA as a catalyst for sustained economic growth and sustainable development; finding lasting solutions to the debt problems of developing countries; and sustaining and elaborating the suitable domestic framework to attract foreign investment. In the area of mobilization of internal resources, increasing domestic savings was needed as well as ensuring the efficiency of national financial markets.²

Beijing+5

Five years after the convening of the Fourth World Conference on Women, the General Assembly, at its twenty-third special session, identified further actions and initiatives to implement the Beijing Declaration and Platform for Action.³ The need for sufficient allocation of resources was reiterated for regional and national programmes to implement the Platform for Action in its 12 critical areas. Further actions were needed at the national and international levels

² UNCTAD X, Plan of Action, TD/386

³ A/RES/S-23/3

to explore new ways of generating new public and private financial resources and to identify and implement development-oriented and durable solutions which integrate a gender perspective to external debt and debt-servicing problems of developing countries. Continued international cooperation was also called for increasing the flow of resources for gender equality, development and peace, including the reaffirmation to strive to fulfill the yet to be attained internationally agreed target of 0.7 per cent of the gross national product of developed countries for overall development assistance.

Copenhagen+5

Five years after the convening of the World Summit for Social Development, the General Assembly, at its twenty-fourth special session, identified further initiatives for social development. It committed itself to increase significantly and/or to utilize more effectively the resources allocated to social development in order to achieve the goals of the Social Summit. It also called for, among other things, a rigorous analysis of advantages, disadvantages and other implications of proposals for developing new and innovative sources of funding, both public and private, for dedication to social development and poverty eradication programmes.⁴

Istanbul+5

The General Assembly, at its twenty-fifth special session, adopted a “Declaration on Cities and Other Human Settlements in the New Millennium” in which it recognized, *inter alia*, that domestic resource mobilization as well as sound national policies were crucial for financing human settlements. At the same time, the Assembly also underscored the essential nature of international support to Governments in implementing the Habitat Agenda. It further urged the strengthening of international assistance to developing countries in their efforts to alleviate poverty, including by creating an enabling environment that would facilitate the integration of developing countries into the world economy, improving their market access, facilitating the flow of financial resources and implementing fully and effectively all initiatives already launched regarding debt relief.⁵

Third United Nations Conference on Least Developed Countries

The LDC III Conference held in Brussels, from 14 to 20 May 2001, paid particular attention to issues of trade and finance. In the Brussels Declaration, adopted by the Conference, the international community committed itself to seizing the opportunity of the fourth WTO Ministerial meeting to advance the development dimension of trade, in particular for the development of LDCs. The Monterrey Conference for the mobilisation of resources for development, in particular for the LDCs, was also noted as an opportunity to be seized. (see A/CONF.191/12, paras 6 and 7)

World Summit on Sustainable Development

The World Summit will take place in Johannesburg, South Africa. The Summit will review implementation of Agenda 21 and consider emerging issues in sustainable development. The General Assembly, by its resolution 55/199, decided the focus should be on action-oriented decisions in areas where further efforts are needed to implement Agenda 21, and on addressing new challenges and opportunities. The Assembly further determined that the review should identify major constraints hindering the implementation of Agenda 21, propose specific time-bound measures to be undertaken, including institutional and financial requirements, and identify the sources of such support.

⁴ A/RES/ S-24/2, annex, para. 142 (g)

⁵ Report of the Ad Hoc Committee of the Whole of the twenty-fifth special session of the General Assembly, Chapter III, see paras 25 and 33 of Declaration.

Conclusion

The High-level Dialogue will be an opportunity to take these and other developments into account in the context of formulating adequate responses to globalization. Both the Ministerial Round Table and the Informal Panel on this sub-theme are expected to yield further practical and action-oriented ideas which can also serve as a contribution to the upcoming International Conference on Financing for Development.

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