Background Note

Statement by MR. WU HONGBO
UNDER-SECRETARY-GENERAL FOR ECONOMIC AND SOCIAL AFFAIRS
TO THE MINISTERIAL MEETING OF THE GROUP OF 24

2015 is year of global action for people and the planet. The world community is formulating an ambitious and transformative post-2015 development agenda to chart a new era of sustainable development. The broad contours of this agenda are becoming clear – a strong commitment to end poverty in all its forms everywhere and to ensure sustainable development for all. Momentum is also growing towards concluding a new, ambitious, legally binding and universal agreement to tackle climate change in Paris in December.

To deliver on this ambitious agenda, the international community will have to put in place an equally ambitious and comprehensive financing framework and means of implementation that match the ambition of the SDGs. That comprehensive framework will be agreed at the Third International Conference on Financing for Development in Addis Ababa in July of this year.

1. World Economic Situation and Prospects

Sustainable and inclusive global growth will be crucial to achieving our ambitious global agenda. Yet while forecasts indicate a continued improvement in the prospects for the world economy, global growth remains subdued. According to the UN *World Economic Situation and Prospects 2015*, growth of world gross product is estimated at 2.6 per cent in 2014, marginally better than the growth of 2.5 per cent of 2013. The global economy is expected to strengthen, with WGP projected to grow by 3.1 per cent in 2015.

Most economies have seen a noticeably downward shift in GDP growth compared to pre-crisis levels. In addition to the remaining hurdles of prolonged post-crisis adjustments, the global recovery has also been hampered by new challenges, including a number of unexpected shocks, such as heightened geopolitical conflicts in different parts of the world.
Significant downside risks persist in the developed economies, particularly in the euro area where there remains a risk of sovereign debt crises. While a number of new monetary policy measures have been

taken, the European recovery remains weak and the underlying growth momentum has decelerated.

Many large emerging economies continue to face a challenging macroeconomic environment, as weaknesses in their domestic economies interact with external financial vulnerabilities. At present, a significant risk for many emerging economies arises from the potential for negative feedback loops between weak activity in the real sector, reversals of capital inflows and a tightening of domestic financial conditions amid an expected rise in the interest rates in the United States. Net private capital inflows to emerging economies have been on a moderate downturn in the past two years. The risk of abrupt changes in investor sentiment remains, which could lead to an increase in volatility with significant repercussions for global financial markets, including spillover effects especially for emerging economies.

Although the baseline forecast projects a moderate growth recovery in 2015 for almost all emerging economies, there are significant risks of a further slowdown or a prolonged period of weak growth. In addition, several developing countries are vulnerable to country-specific challenges, including structural imbalances, infrastructural bottlenecks, increased financial risks, incoherent macroeconomic management, as well as geo-political and political tensions. The conflicts in Ukraine, the Syrian Arab Republic, Iraq, Yemen and Libya have had, in addition to the severe humanitarian toll, pronounced economic impacts at the national and sub-regional levels.

International prices of oil are projected to stay low in 2015. For a majority of oil-importing countries, including those in Africa, Asia, and Europe, lower oil prices are beneficial for economic growth. But oil-exporting countries are facing tremendous challenges, particularly for those that depend on oil for government revenue.

While global risks and slow growth will complicate implementation of the post-2015 development agenda, the current global economic situation also provides positive elements for achieving sustainable development. Low oil prices give countries the opportunity to reform oil subsidies, and raise carbon taxes. While risks need to be managed and incentives changed, high global liquidity can provide the necessary financial resources. There have also been enormous advances in technology and innovation, which provides new tools for achieving the three dimensions of sustainable development.

2. Post-2015 development agenda and the global partnership for sustainable development

Great progress has been made in achieving some of the Millennium Development Goals (MDGs), particularly in the targets related to poverty reduction, improved drinking water, primary education and health. However, progress has been uneven across countries and among different population groups and regions within countries.

Building on the foundation and valuable legacy of the MDGs, the post-2015 development agenda will provide a framework for development and international cooperation for the next fifteen years. But it will also go further, and address the needs and contributions of all people across the planet. It should deepen our collective commitment to social development, while recognizing that to secure social progress we must also give due regard to economic development and environmental protection.

At the centre of this agenda will be a set of ambitious Sustainable Development Goals (SDGs). The proposed set of 17 SDGs and 169 associated targets have been endorsed by Member States and will be adopted at United Nations Summit in September of this year. Eradication of poverty and sustainable development are the priorities of the goals, which are action-oriented, global in nature and universally applicable to all countries taking into account different national realities, capacities and levels of development.

As the basis for this agreement, Governments must renew and strengthen the global partnership for sustainable development. This is embodied in Goal 17 of the SDGs, including international cooperation on finance, technology, capacity-building, trade, policy and institutional coherence, multi-stakeholder partnerships, data, monitoring, and accountability. The global partnership for sustainable development must be effective in mobilizing the means and in creating the enabling environment to implement the post-2015 development agenda. The essential elements of these issues will be discussed as part of the financing for development process and agreed to at the Third International Conference on Financing for Development.

3. Financing for development

The Third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015, is expected to be a milestone in forging consensus on the renewed global partnership for sustainable development. The Conference should produce three key outcomes: a cohesive and holistic financing framework for sustainable development; concrete deliverables; and a strong follow-up process that leaves no country behind.

In March, the co-facilitators of the negotiations produced a zero draft of the Addis Ababa Accord, which will serve as the basis for negotiations on the outcome document of the conference. The zero draft builds on the holistic vision of the Monterrey Consensus and Doha Declaration on Financing for Development and addresses the full remit of the FfD agenda, including all financing sources and the domestic and international enabling environments. It includes chapters on domestic public resources, private resources, international public resources (including ODA), trade, debt sustainability, and systemic issues. But the draft goes beyond the Monterrey Consensus to address new and emerging challenges. It introduces an additional chapter on 'Technology, innovation and capacity building'. The framework also emphasizes the importance of setting the right incentives and regulatory environment to allocate resources to global needs, reorient investment patterns and ensure better coordination of public and private investments to maximise their developmental impact. It must also capitalise on synergies across the three dimensions of sustainable development.

The Zero Draft proposes deliverables in four cross-cutting areas: social needs, infrastructure, agriculture and food security, and micro, small and medium enterprise (MSME) financing. It proposes a new social compact to invest in people and unlock the potential of the 15 per cent of the world's population that lives in poverty. Governments commit to ensuring a package of essential public services for all and implementation of basic social protection floors, and the international community commits to helping countries most in need. A new global infrastructure initiative would help scale up investments in sustainable and resilient infrastructure as a key pillar to meet the SDGs, building on existing initiatives and involving all stakeholders. It would aim to identify gaps, particularly for countries and sectors that are often overlooked, and work to ensure that projects are environmentally, socially and economically sustainable. A proposed substantial increase in public investment in agriculture and food security would focus on small scale food producers and gender equality. The draft also includes a strong commitment to ensure appropriate and stable access to credit MSMEs.

The draft also recognizes the enormous potential of MDBs in financing sustainable development, and calls on them to fully utilize their balance sheets, consistent with maintaining their financial integrity, to help support the ambitions embodied in the SDGs.

The global partnership for sustainable development must respect each country's policy space and take into account different national realities and differentiated needs, capacities and levels of development. To be effective, it will require a strengthened and more robust follow-up mechanism, to monitor progress in implementation and the fulfilment of commitments and ensure no country is left behind. The follow-up process should be based on necessary expertise, including of the institutional stakeholders of the Financing for Development process. In addition, the High Level Political Forum (HLPF), situated under the auspices of the General Assembly and ECOSOC, will have a role to play in the follow-up process, as will its two parent bodies.

Ensuring the highest level of participation is important to the success of the Financing for Development Conference in July. This includes the attendance of Heads of State or Government, relevant ministers, including ministers for finance, foreign affairs, trade, commerce and development cooperation, and central bank governors, as well as business leaders and civil society.

4. Global economic governance

In order to strengthen the international community's ability to tackle global challenges, which are increasingly interconnected, stronger commitments to collective action and policy coherence are needed.

The lack of coherence between different parts of the international system constrains attempts to achieve international goals, despite the holistic vision set out in the Monterrey Consensus. The creation of new international financial institutions – while providing important new sources of financing – makes efforts at coherence more complex, as well as more important than ever. The major investments to be made in changing policy frameworks as part of the post-2015 development agenda and the renewed global partnership for sustainable development will only bear fruit if economic, trade, monetary and financial systems are coherent with environmental rules and frameworks and social policies and systems.

It is essential to enhance coordination, cooperation and coherence across the entire UN system, in a way that balances effectiveness with inclusiveness and representation. The United Nations remains the only truly universal and inclusive multilateral forum. Yet, there has been a noticeable marginalization of the United Nations in key areas of economic governance, as well as a weak accountability for commitments made by Member States in UN summits and conferences. There is thus a need to strengthen the role and effectiveness of the United Nations in the framework of global economic governance.

A more coordinated and transformational approach is needed to avoid duplication and/or fragmented international policy responses and achieve synergies across the three dimensions of sustainable development. For example, the role, scope and effectiveness of the multilateral development banks and the IMF can be reviewed in light of the forthcoming Addis Ababa Accord and the post-2015 development agenda to ensure coherence with the SDGs.

Greater representation of developing countries in global economic decision-making is necessary to enhance the effectiveness of the global partnership for sustainable development. This implies greater voice and participation in international financial and economic institutions, standard and norm-setting bodies, and financial regulatory bodies. The most prominent example of the need for reform is at the IMF, where reforms agreed in 2010 have still not been implemented. This failure needs to be overcome expeditiously.

There are additional areas where the need for governance reform remains urgent. The World Bank Group is due to discuss and agree needed governance reforms later this year. The Financial Stability Board remains a body with limited representation and without clear rules for membership in its various subsidiary bodies, though the recent inclusion of more emerging markets in the FSB plenary (Argentina, Indonesia, Saudi Arabia, Turkey and South Africa) is an important first step. Given the enhanced global focus on illicit financial flows, developing countries will need to participate equally and more effectively in the development of new norms for international tax policy. The United Nations should take a leading role in these discussions given its universality and legitimacy.

The lack of effective mechanisms for orderly resolutions of unsustainable sovereign debt situations remains a major gap in the international financial architecture. The resolution of sovereign debt crises is currently governed by a loose set of mechanisms, ranging from the Paris Club to market-based arrangements. Although sovereign debt restructurings frequently take place, they are often “too little too late”. The international community has called for enhanced approaches to sovereign debt restructuring. Though positive initiatives have been undertaken, including improvements in contracts, there is general agreement that further improvements are needed. However, there is not yet a consensus on the best approach for reform. Intergovernmental discussions are ongoing in the United Nations and the IMF, as well as dialogues among academics, experts and private sector actors.

There is also a need to ensure that there continues to be predictable and consistent engagement between the G20, the United Nations and other relevant multilateral organizations, with a view to achieving greater coordination and complementarity of their objectives and activities in support of development. The G20 has demonstrated increasing willingness to involve the wider membership of the United Nations and foster engagement with relevant stakeholders. It should continue to strengthen its relationships with formal institutions, non-members and other relevant stakeholders