

**2010 Substantive Session of ECOSOC: Coordination Segment**  
**Item 6 (a): Follow-up to the International Conference on Financing for Development**

**Informal Summary**

In its resolution 2009/30 on “A strengthened and more effective intergovernmental inclusive process to carry out the financing for development follow-up”, the Economic and Social Council decided that “consideration of the agenda item on financing for development should be given more prominence in the work of the annual substantive session of the Council and should be allotted up to two full days”. Accordingly, on 7 and 8 July, the Coordination Segment of the 2010 Substantive Session of ECOSOC took up item 6 (a): Follow-up to the International Conference on Financing for Development, including two panel discussions and a general debate.

**Panel discussion 1: South-South Cooperation and Financing for Development: Investment, Trade and Technology Transfer**

The first panel discussion on “South-South Cooperation and Financing for Development: Investment, Trade and Technology Transfer” was held on 7 July 2010. It was chaired by the Vice-President of the Council, Amb. Morten Wetland (Norway), and moderated by Amb. Maged Abdelaziz (Egypt), and featured two presentations by: Mr. Ajay Singh, Senior Director, Reddy Laboratories, India, and Mr. Heiner Flassbeck, Director, Division on Globalization and Development Strategies, UNCTAD.

Following the opening statement by Amb. Wetland, who underscored the increasing importance of South-South cooperation and its relevance to alleviating poverty and achieving the MDGs, **Amb. Abdelaziz** made introductory remarks to kick-off the panel discussion. He referred to the current crisis and emphasized that, despite the recovery in GDP growth in many countries, the levels of economic activity in most instances remained below the pre-crisis ones. Greater progress, he argued, was required on trade liberalization, access to finance, debt sustainability and fulfilment of ODA commitments. The speaker stressed that, in this context, South-South cooperation could make an important contribution as it had gained significance over the last decade due to the greater influence of some developing countries in the global economy, large increases in trade and investment flows among poorer nations, and successful initiatives by developing economies in the field of technology transfer, with the support from institutions like UNCTAD. Amb. Abdelaziz also emphasized that South-South cooperation should be complementary to North-South cooperation and that cooperation in the fields of FDI, trade and technology transfer should aim to enhance economic capacities of developing countries.

**Mr. Singh’s** presentation focused on the pharmaceutical sector. He outlined the complementary roles played by pharmaceutical companies from developed and developing countries in generating innovation and in making the new medicines more affordable and accessible. He pointed out that while most innovation in pharmaceutical medicine took place in developed economies, companies in developing countries were playing an important role in making these products affordable and accessible in both the South and the North. Through introducing new production processes and achieving economies of scale, these companies were able to reduce the

cost of pharmaceutical drugs and thus that of the overall health-care. In this context, he cited examples of Indian companies, which played an important role in bringing down pharmaceutical costs in the United States, as a result of their lower production costs and increased competitiveness.

Mr. Singh emphasized that increasing affordability and accessibility was extremely important given the huge unmet need for pharmaceutical products. He was of the view that it was possible for companies to achieve this, while remaining financially sound. A case in point was a product called Neupogen, where a price drop led to a significant increase in demand, which brought about growth in profits for the entire industry. The speaker also pointed out that the Indian companies, which increased access to and affordability of medicines in the United States were using a market-based approach and remained profitable. Mr. Singh called for expanding the discourse beyond the HIV/AIDS and malaria since, with increasing life expectancy, conditions like cancer and cardiovascular disease were becoming more prevalent in the South. In these cases, he suggested to focus on early detection and prevention.

According to **Mr. Flassbeck**, an important concern today related to the need for more productive investment in fixed capital, in greening of the economy, and in infrastructure and healthcare. Such investment would generate social as well as individual returns through, among other things, raising economic productivity, enabling the attainment of the MDGs, and addressing problems related to climate change. In this context, the speaker expressed concern that the finance industry in its present form did not facilitate the channelling of resources into these areas. Rather, considerable funds had been diverted by the financial sector into activities such as short-term speculation, which might harm the long-term economic prospects of developing countries. To correct this, stronger regulation of the finance industry was needed to, among other things, separate basic banking services from speculative activities.

Mr. Flassbeck also cautioned against viewing trade as the sole driver of development. He called for greater coherence of policies in the financial and trade sectors, noting that countries with trade surplus had run into economic difficulties due to large inflows of short-term funds. In this regard, he stressed that developing countries should not undertake wholesale financial liberalization but focus on those capital flows, which raised productive investment. He also noted the importance of a specific form of South-South cooperation, in which a number of countries would combine resources to jointly tackle volatile capital flows. Turning to technology transfer, Mr. Flassbeck argued that there was too much focus on foreign investment as a technology transfer tool. In his view, more effort should be directed towards raising the capacity of developing countries to come up with their own ideas and innovation. Among other things, the speaker emphasized the importance of having more inclusive growth and stressed the role of Governments in ensuring access to inexpensive finance, especially at a time when interest rates were high in many developing countries.

The presentations were followed by an **interactive discussion** among Member States, during which many speakers stressed the importance of South-South and triangular cooperation, especially in promoting economic integration and trade and investment between and among developing countries. Several delegations emphasized the need to follow such an approach to help developing countries cope with or mitigate the effects of climate change. It was pointed out

that, given the shortfalls in ODA, South-South and triangular cooperation could help developing countries blunt the impact of the economic and financial crisis. On the other hand, it was argued that, especially in cases where all regional partners were relatively small, it might be important to have an “anchor” country. It was noted that small groups of regional actors had often sought to tie their cooperation initiatives to those of larger neighbouring countries.

It was stressed by many speakers that North-South and South-South cooperation should be complementary and aim to improve aid effectiveness. It was mentioned that South-South initiatives aiming at developing infrastructure, where not combined with traditional conditionalities, could co-exist and complement traditional aid. However, participants agreed that wasteful and inefficient competition should be avoided. It was also noted that aid effectiveness could be influenced by conditions within the recipient country. For example, the present high level of real interest rates in many developing countries could effectively limit the impact of aid. Thus, more work needed to be done to understand the empirical basis for aid effectiveness.

Several delegations discussed the influence of intellectual property rights on innovation, affordability of and access to pharmaceutical drugs. Some speakers highlighted the difficulties faced by developing countries, when dealing with issues such as licensing, intellectual property and patent regulations. However, it was also pointed out that robust intellectual property rights were necessary to encourage the invention of new drugs. While this invention had mainly taken place in developed countries, it also benefited developing countries, in which drugs were distributed. On the other hand, it was also pointed out that the number of patents filed had become excessive and that harmonization of regulatory approvals of medicines was important.

Other issues raised during the discussion included the necessity of expanding North-South cooperation into a wider range of areas, including social sectors. South-South cooperation was also seen as being particularly useful for the least developed countries, small-island developing States and land-locked developing countries. On the issue of trade, it was emphasized that financial and monetary cooperation might be an important precondition for the success of regional trading arrangements as it could provide a buffer against economic and financial shocks which would otherwise undermine the effectiveness of trade cooperation. There was also some discussion of the reasons why innovation in pharmaceutical products was mainly undertaken in developed economies. It was pointed out that this was partly due to better access to financing and stronger infrastructure for innovation in the North.