



BACKGROUND INFORMATION

General Assembly

A/59/....
Original: English

Fifty-ninth session
Agenda item 90

Globalization and Interdependence

Report of the Secretary-General*

Summary

The UN General Assembly in its resolution A/58/225 requested for a report on globalization and interdependence, which should focus on ways to forge greater coherence in order to advance the internationally agreed development goals, including those contained in the Millennium Declaration.

This mandate involves two questions. Firstly, the broader question of how to generally manage globalization in order to promote development, which has been the subject of previous reports on this item. Secondly, a more specific question of how to promote institutional and policy coherence that is required to achieve the development goals in a globalizing world economy. This report is focused on this specific aspect of the mandate.

Section II of the report explores the impact of globalization on the development goals and identifies the challenges of policy coherence. Section III focuses on ways to promote policy and institutional coherence at the national, regional and global levels and Section IV contains conclusions and recommendations

* This Report was submitted with delay due to the need for extensive consultations within the Secretariat.

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Introduction

1. The UN General Assembly resolution (A/58/225) on promoting development in the context of globalization and interdependence adopted last year requested for a report that “should focus on ways to forge greater coherence in order to advance the internationally agreed development goals, including those contained in the Millennium Declaration.” This mandate involves two questions. Firstly, the larger question of how to generally manage globalization in order to promote development, which has been the subject of previous reports on this item. Secondly, a more specific question of how to promote institutional and policy coherence in order to achieve the broad array of development goals in a globalizing world economy. This in turn leads to two main issues, namely, promoting policy coherence to ensure that the wide ranging development goals dealing with economic, social and environmental dimensions are pursued in a mutually reinforcing manner and to manage the impact of globalization on the realization of these goals. This report attempts to identify the impact of globalization on various dimensions of the development goals and the areas that require greater policy coherence. It then explores ways for forging policy coherence at the national, regional and global levels to address both challenges, i.e., integrating the three dimensions of development and managing the uneven impact of globalization. It is not possible to address these issues in great detail in one report for a variety of reasons. One being the wide scope of the development goals and second the complexity of the impact of and

linkages with globalization. For a more comprehensive view of these issues, this report should be read in conjunction with other related reports of the Secretary-General.²

II. Globalization and development nexus-challenges of policy coherence

2. The pursuit of development is a complex task. It has become even more daunting in a world that is being shaped by increasing globalization and interdependence. At the core of this challenge is the task of managing the uneven impact of globalization while pursuing internationally agreed development goals, including those contained in the Millennium Declaration, and integrating their various dimensions. Achieving simultaneous progress in these interrelated areas is especially demanding for many developing countries where institutions, capabilities and infrastructure need to be built while facing an increasingly competitive economic environment.

3. One of the major obstacles to achieving the development goals in a globalizing environment is the lack of policy coherence at the national, regional and global levels. Greater coherence between the national and international visions of trade and development means that financial, monetary and technology policy coordination at the international level should create an environment that allows national development strategies to succeed. For example, policies ought not to give with one hand and take with the other. Rules designed to liberate ought not to create new barriers. Countries that press others to liberalize trade should be willing to do the same themselves. The commitments

² Implementation of the Millennium Declaration (A/59/..); Follow-up to and Implementation of the Outcome of the International Conference on Financing for Development (A/59/..); International Financial System and Development (A/59/..); Trade and Development (A/59/..); and External Debt Crisis and Development (A/59/..).

to promote economic growth and eradicate poverty, enhance social integration and achieve environmental sustainability and make globalization a positive force for all require persistent efforts to better integrate policies in these areas and coordinate institutions at the national, regional and global levels. The Millennium Declaration, the Monterrey Consensus, the Johannesburg Plan of Implementation and the outcomes of other conferences have addressed these dimensions of development and the challenges of globalization but the world is still far from achieving the necessary level of coherence, coordination and cooperation.

4. To ensure that existing structures and policies are geared towards greater coherence, there is a need to understand how globalization impacts on various dimensions of the development goals, including the MDGS.³ It is a fairly complex undertaking, as the impact cannot be as clearly established or identified as one would like to see and in many cases, it is mixed. However, a brief overview could help in identifying some of the challenges of policy coherence.

A. Impact on economic growth

5. Globalization has offered opportunities for enhanced economic growth. But growth has been unevenly distributed across countries, among both industrialized and developing countries. The most striking feature of this uneven pattern is the rapid economic growth in China over the

³ These goals cover a wide spectrum of development issues, which are equally important but cannot be considered individually in this report. In order to present a concise and cogent view, the goals have been placed in three broad categories, namely, social development, environmental protection and economic growth.

last two decades and gradual but significant improvement in the economic growth performance of India. A number of other developing countries, especially in Asia, have been able to capture the opportunities created by globalization. But, many countries in Africa and Latin America and several transition economies have experienced slow economic growth or even outright contraction.

6. Globalization has provided developing countries financial resources that supplement the resources generated at home but such resources have been highly unstable. After falling sharply since 1998, net private capital flows to developing countries partially recovered reaching \$92.5 billion in 2003, their highest level since the outbreak of the Asian crisis. At the same time, open markets have fostered increased trade in goods and services. In 2002, developing countries' share of trade in goods and service as a percentage of GDP was approximately 60 percent. The difference in the impact of globalization has been determined by a variety of factors, including the institutional strength of different countries, their level of human development, their ability to manage volatility with appropriate counter-cyclical macroeconomic policies, and their capacity to make inroads into dynamic manufacturing and services sectors.

7. The challenge is to create conditions that enable all countries, particularly the least developed countries, to benefit from globalization and to achieve the MDGs. At the heart of this challenge is the fulfillment of MDG 8, which provides a foundation for a global partnership for development. It is a pledge by developed countries to fulfill their commitments to support the efforts by developing countries with increased assistance in the form of enhanced market access, long term debt relief and increasing ODA. While there has been some progress, there are still

some policies of developed countries that are inconsistent with the spirit of this partnership. For instance, there is a serious lack of policy coherence in the area of trade, particularly in terms of market access for agricultural products, manufactures and services of special interest to developing countries. Some current trade policies in developed countries even undermine or nullify development assistance.

West and Central Africa accounted for 13 per cent of world cotton exports in 2001-02. In Benin, Burkina Faso, Chad, Mali and Togo, cotton accounts for 5-10 per cent of GDP, more than one third of total export receipts and over 60 percent of the value of agricultural exports. Ten million Africans depend on cotton for their livelihoods. According to WHO, the expansion of cotton production in these countries has led to an improvement in health, reflecting better diet; it has also led to an improvement in physical and social infrastructure, such as schools and health centers.

Production costs for cotton are lower in this region than in most other producer countries. However, it has to compete with exports from other countries which subsidize their cotton producers. These subsidies had the effect of stimulating production, leading to a reduction in world prices. The African exporters suffered a major shortfall in export earnings as a result, estimated at US\$ 250 million for 2001-02 and an annual average of US \$200 million for the preceding five years. Because of the importance of cotton to the local economy, the impact of these prices has been serious. As a result, household incomes and agricultural wages have fallen, and it is feared that health care and education will become unaffordable. [Source: Goreux, L (2003), "Prejudice caused by

industrialized countries subsidies to cotton sectors in Western and Central Africa”.]

8. Thus, to ensure that financial, trade and aid flows have a beneficial development impact, efforts are needed to enhance global institutional and policy coherence, bearing in mind the requirements of different countries. Steps towards increasing coherence should include greater policy space and autonomy for developing countries so that they should be able to integrate with the world economy, using the instruments that they think are more suitable to their economic conditions and at their own pace. It should also include greater consistency in the aid, trade, investment, debt and development cooperation policies of the developed countries. In turn developing countries need to bring the objectives of trade and financial policies in harmony with the development goals.

To emphasize the importance of Goal 8, OECD ministers made a statement in 2002 (Action for a Shared Development Agenda) in which they encouraged policy coherence for development. It was recognized that successful poverty reduction requires mutually supportive policies across a wide range of economic, social and environmental issues. The ministers also confirmed that, through its programme on policy coherence for development, the OECD will enhance understanding of the development dimensions of Member countries policies and their impacts on developing countries. (Source: Quoted in OECD Briefing paper on “Agriculture and the Millennium Development Goals” prepared by Sara Dahlsten.)

B. Impact on social development

9. There are a whole range of social development objectives captured in the goals adopted by major UN conferences and summits, including MDGs1-7. These goals commit countries to eradicate extreme poverty and hunger, achieve universal primary education, promote gender

equality and empower women, reduce child mortality, improve maternal health and fight HIV/AIDS, malaria and other diseases, increase access to water and sanitation, generate employment and protect human rights. These goals are inter-related and are manifested in multiple ways in extreme poverty. Eradication of poverty can therefore make a significant contribution to the realization of other related goals and the reverse is also true.

10. The impact of globalization on poverty is difficult to assess. At best, it has been mixed. The number of people living in absolute poverty globally has considerably declined (See SG's 2004 report on the implementation of the Millennium Declaration). However, most of this improvement is accounted for by the changes in large and medium size countries, including China and India. In other parts of the world, poverty has increased, particularly in sub-Saharan Africa. It is difficult to pinpoint a causal relationship between globalization and poverty, but there seems to be a correlation between increase in poverty and greater economic and financial liberalization and integration, which are the defining features of globalization. Moreover, research shows that there has been an increase in income inequality in a large number of countries over the last three decades, which has direct implications for poverty eradication.

11. Globalization has impacted on the social goals or people's lives in general through trade and financial policies. For instance, trade liberalization is often seen as the cause for rising income inequality and in some situations perceived as linked to increase in poverty. Trade liberalization in Latin America, for example, has been associated with rising wage inequality.⁴ One reason for this is that the import of world class technology, or the shift to high tech exports,

⁴ See Peter Lindert, Jeffrey Williamson "Does globalization make the world more unequal?", NBER Working Paper No. w8228, April 2001.

requires highly educated labour, which raises returns to skilled labour and reduces the demand for unskilled labour. Opening of the financial sector, particularly for short-term capital, has contributed to large-scale speculative capital flows, leading to serious financial crises and economic setbacks which have had large social costs.

12. Increasing tax competition, together with the new doctrine in favour of a reduced role for the State, is widely believed to have reduced the fiscal capacity of governments. In many cases, this has led to reduction in government expenditures vital to the poor such as those on health, education and social protection.

13. In some countries, globalization has resulted in serious gender imbalances. The extent of this imbalance is largely determined by the gender equality prevailing in the norms, institutions and policies of a country at the time when integration into the global economy takes place. There is a growing body of evidence illustrating ways in which substantial numbers of women have been adversely affected by globalization. For instance, trade liberalization has often allowed the import of subsidized agricultural products and consumer goods that have wiped out the livelihoods of women producers. At the same time, for many other women, globalization has resulted in an improvement in their economic and social status, as they have been absorbed in the global production system.

14. While it is hard to assess a definitive impact of trade and financial liberalization on poverty and social goals in general, it is important to note that there is a clear need to ensure some degree of coherence in pursuing the development goals and policies of liberalization. Steps

to liberalize trade and financial sector should be made consistent with the goals of social development.

C. Impact on environmental sustainability

15. The net effect of globalization on environmental sustainability is ambiguous. Open markets have facilitated the transfer of technologies and ideas that lead to efficient utilization of natural resources, cleaner production technologies and eco-efficient management strategies. Yet, at the same time, rapid industrialization and integration into the global economy have led to environmental degradation. The unsustainable patterns of consumption and production patterns of developed countries have also permeated to developing countries through increasing integration of the global markets. There is an increasing demand, which has resulted in over consumption putting greater pressures on natural resource base, including the climate and ecosystems.

To capture the growing markets for exports, the cultivation of prawns has increased manifold. Increasing demand in developed countries has been met by increased production in countries such as Bangladesh, India and Thailand. Aquaculture has been one of the growth industries of the decade. The foreign exchange gains have been very large, as has the scale of the environmental damage. Shrimp exports generate about \$320 million annually, almost one-tenth of Bangladesh's total foreign-exchange earnings. Production is located across a belt between Chittagong and Khulna in the south of the country, with an estimated 145,000 hectares under cultivation on 9000 commercial farms. Few of the poorest farmers are involved in production, because of the high capital costs

involved. Small producers or farmers have been sidelined. The immediate social costs have been compounded by long-term environmental damage. As shrimp farming requires large amounts of saltwater to be channelled into freshwater areas, increased soil salinity has become a major problem. Local communities have also suffered as a result of the destruction of mangrove swamps, loss of freshwater fish stocks, reduced crop productivity and a reduction in grazing land. (Source: “Rigged Rules and Double Standards: trade, globalization, and the fight against poverty”, Oxfam Report 2002)

16. In addition to consumption and production, there is a larger question of global sustainability, which requires that domestic interests should be reconciled with international goals. In this area, two issues are of particular importance and those are biodiversity and climate change. There is a clear need to develop a global strategy for biodiversity conservation, i.e., achieving MDG 7. The issue of climate change is also becoming a major challenge. Global policy and institutional coherence is also essential for mitigating and adapting to climate change.

17. Ensuring sustainable development also requires simultaneously balancing various policy objectives, namely those that foster sustainable growth, as well as those that address environmental and social issues. Attention to any one of these at the cost of another will eventually prove to be harmful and potentially irreversible. Especially since environmental and social problems, when not addressed immediately, accumulate over time and have consequences that do not appear in the short term. For this reason, in some cases, short term gains will have to be foregone for long term benefits. Sustainable development therefore, not only requires

coherence in policy at the local, national and global levels, but also a long term horizon to deal with global issues that know no boundaries.

18. Managing the interaction between economic, social and environmental goals is, therefore, at the heart of efforts to promote coherent policy and institutional approach to the management of globalization. This will require a great deal of inter-sectoral cooperation and negotiation and cross-sectoral, or integrated, implementation.

II. Promoting increased coherence and strengthening institutions

19. The commitment to promote economic growth and eradicate poverty, enhance social integration, achieve environmental sustainability and integrate in the global economy requires continued efforts to better integrate policies in these areas and coordinate institutions at the national, regional and global levels. This challenge must be addressed primarily by national policies, but it also requires the strong and sustained support of development partners, by fulfilling their part of the global bargain and meeting the commitments made in MDG 8 and reaffirmed both at Monterrey and at Johannesburg.

A. National level

20. At the national level, promoting coherence entails reconciling economic growth with employment generation, an active social policy and environmental protection, within a consistent macroeconomic framework. In this regard, while the globalization of markets offers developing

countries opportunities to benefit from a fuller integration in the world economy, it also reduces their policy options.

Building on the linkages among the three pillars of development

21. The links between social development and macroeconomic policies are multidimensional. First, macroeconomic policies are in effect only a means to an end, and not an end unto themselves. The ultimate ends of economic policy are in the broadest sense “social”. And the MDGs are, by and large, of a social nature. Therefore, it is essential that explicit social objectives be included in macroeconomic policy making. Second, social cohesion and an adequate accumulation of human capital are widely recognized today as crucial prerequisites for successful integration in the process of globalization. Given their central role in human capital formation, social investment policies are essential to reconcile growth and social development. Social development can, therefore, be thought of as a productive factor. In addition, macroeconomic adjustment and structural reform are more likely to be sustainable when they are equitable. More generally, a stable economy cannot be built in an unstable society.

22. In turn, social policies and programmes aimed to achieve the development goals need stable funding, which largely depends on steady economic growth. Macroeconomic instability – especially episodes of recession or hyperinflation – is harmful for both growth and social development. It increases poverty and inequality by disproportionately affecting vulnerable groups. It also acts as a deterrent for the determinants of growth, since it affects the process of savings and investment and, thus, reduces long term growth and the potential for productive job creation. Hence, given their structural nature, poverty reduction and the other social

development goals require a context of macroeconomic consistency and stability. This is also important for guarding against external shocks, which have become a more frequent occurrence in a globalizing world economy.

23. While the macroeconomic policy agenda is largely concerned with the short run, most determinants of both growth and sustainable development are long-term in nature. Lengthening the time horizon for macroeconomic management can help authorities reconcile this tension. To this end, the entire business cycle would have to be used as a frame of reference. This would entail sufficient room for manoeuvre for the adoption of counter-cyclical macroeconomic policies based on multi-annual fiscal policies that set targets for public sector deficits or borrowing of a structural nature. To be sure, the short and long term objectives of macroeconomic policy are, to a large extent, complementary, since more stable economic growth is one of the best incentives for fixed capital investment.

24. Social policies need sustainable funding over time, which should be provided in such a way as not to deter savings and investment decisions or job creation. In many developing countries, it may be necessary to increase gradually the overall magnitude of public expenditures and that, in turn, would require additional tax revenues as well as international assistance. Conversely, prudent management of scarce fiscal resources imposes the need to increase the quality and efficacy of social policies. This requires, in turn, rigorous cost-benefit analyses of social programmes and continuous evaluation of existing programmes, which sometimes outlive their utility and need to be discontinued.

25. The recognition that the economic and social dimensions of development can, if correctly tackled, reinforce each other, should lead to a focus on inclusive growth in policy design. This means not only an emphasis on steady growth, price stability and fiscal balance, but also an equal emphasis on full employment, equity, social protection and the provision of basic social services. Still, in order to achieve multiple and competing objectives, some important policy trade-offs will inevitably have to be confronted.

26. Labour income is the main source of revenue for the poor. As a result, human capital formation, job creation and improvement of the quality of employment, and social protection are key factors for sustainable poverty reduction. These factors are all attainable in an environment of dynamic economic growth. Advances in these areas build on each other. This is evident from the experiences of the countries that have benefited from globalization.

27. Human capital development contributes to poverty eradication and long-term economic growth through improved health, education and skill formation. As interventions in health, education, water, sanitation, food, technology and macroeconomic policies complement and reinforce each other, human resources development must be built on a broad range of economic and social investments. Strategic interventions can have ramifications that go well beyond each sector and add up to a virtuous circle of social and economic development. For example, HIV/AIDS prevention and treatment programmes focused on education services can avoid the reversal of past gains in educational achievements in many countries. Investments in various sectors work best when made in combination with other interventions.

28. Education is the primary means of halting the intergenerational reproduction of poverty and has become even more important because globalization has increased the need for human resources capable of engaging in new modes of production and international competition. Women and men need broad skills that can be adapted to rapidly changing economic requirements, as well as appropriate basic skills that enable them to benefit from information technology. Girls' education should be seen as a strategic intervention whose impact goes far beyond the education sector.

29. For the gains from globalization to be widely shared, people have to be able to convert global opportunities into jobs and incomes. Given the crucial role it plays in poverty reduction and social integration, and the high unemployment rates in several countries in Africa, Latin America, and Western Asia, employment generation warrants special priority. The single most important factor for an adequate creation of quality jobs is sustained, broad-based growth. The latter requires investment in physical as well as human capital, an enabling environment and social dialogue at all levels. It is particularly important to provide the conditions for the creation of enterprises, especially small and medium size enterprises, starting with the needed financial resources for investment.

30. Half or more of most developing countries' labour force is employed in the informal sector, characterized by low levels of productivity, wages, stability and social protection. The insecurities associated with globalization reinforce the need to give priority to ensuring decent work, which requires among other things training and access to formal financial sources.

Moreover, effective social protection is also important if the benefits from globalization are to be distributed fairly within countries.

31. Considerable scientific evidence points to environmental degradation as a direct cause of many of the most pressing social problems we face today, including poverty, hunger, and disease. At the same time, management of a natural resource base is also essential for ensuring long term sustainability of economic growth. For this reason, attainment of the goal of environmental sustainability embodied in Agenda 21, the Johannesburg Plan of Implementation and Goal 7 of the Millennium Declaration is essential for the realization of the development goals. Conversely, if the other development goals are not achieved, it will be exceedingly difficult to ensure environmental sustainability.

32. More specifically, advances in one sector may be dependent upon progress made in another (e.g., access to clean drinking water contributes to achieving education enrolment and retention goals). Achieving different sectoral goals may also appear to be in conflict (e.g., where the installation of transportation infrastructure necessarily fragments natural habitats and threatens biodiversity and ecosystem services). Finally, synergistic relationships among goals may occur in situations where a single intervention or package of interventions will achieve advances in multiple goals across sectors much more cost-effectively than if they were applied in a single sector. An example of this is the provision of food to primary schools by local farmers providing as secure market for farmers and nutrition for children.

33. The challenge is to develop policies that allow for rapid economic development without the consequent extreme environmental degradation that often accompanies such growth. The single most important criterion for meeting this challenge is that development planning in various sectors must adhere to the principles of sustainable management of ecosystems and their component resources.

Strengthening institutional and policy coherence

34. The task of implementing policies rests ultimately with institutions at the country level. Policy coherence can be translated into action only if institutional coherence is achieved. While in developed countries the challenge is to enhance institutional and policy coherence, in developing countries the challenges are greater, as institutions either do not exist or they are often weak and ill equipped to address the multi-dimensional nature of globalization. The developing countries need to develop and strengthen institutions and build capacity to deal with the multi-dimensional challenges of globalization and development.

35. Given the crucial links that exist between the three dimensions of development, an integrated policy framework would be necessary. Such a framework should take these links into account, as well as the links between social policies (i.e. the mutually supporting effect of different social policies, through integrated poverty programmes, in particular); between economic policies (i.e. macro-meso linkages, especially to facilitate the development of a dynamic small and medium enterprise sector); and between environmental policies (i.e. links between water management and land management policies).

36. There is no single way to implement these efforts, and a diversity of institutional arrangements may not only be inevitable, but desirable, as they adapt to different social structures and feasible political arrangements. Similarly, there is no unique policy mix to tackle a given situation, and different policy options are often not neutral from a social or environmental standpoint. Hence, to ensure that social and environmental concerns are part of a coherent strategy, economic/finance and trade authorities should also be accountable for the social and environmental consequences of their decisions.

37. An effective way to introduce greater accountability of the social and environmental dimensions of policymaking is the inclusion of social and environmental impact analysis in the design process of economic policy. This implies, *inter alia*, capacity building and the development of specific policy tools by Governments. In this regard, it is critical for economic decision-makers to have access to the information required for assessing, monitoring and forecasting the social and environmental consequences of their actions.

38. In all cases, closer cooperation among ministries, in particular between finance/economic ministries and those responsible for social and environmental mandates, is a prerequisite. The latter need strengthening if they are to interact on an equal basis with the former. A common ground between Government partners is often elusive. Financial constraints are often imposed upon policymakers in the “social” ministries because economic considerations are taken as first priority. The recognition by the Ministries of Finance and other economic portfolio that achieving social and environmental sustainability has long term benefits is therefore essential.

39. Most countries – developed and developing – formulate and put in place concurrently a number of macro and sectoral policies and strategies. These policies and strategies are often mutually supportive and possess elements of sustainability, but are, in many cases, pursued in a disjointed manner. In many cases, the policy framework is not yet aligned with the development goals and the fundamental objective of halving poverty. Too often, poverty reduction is seen as an automatic by-product of economic growth and macroeconomic stability, and equity concerns, including gender equality, are largely overlooked.

40. The Poverty Reduction Strategy Paper (PRSP), introduced as an overarching and holistic strategic plan in September 1999, has become a key planning mechanism for many developing countries. Initially required as a basis for access to debt relief in Heavily Indebted Poor Countries (HIPCs), from July 2002 it was made a requirement for all International Development Agency (IDA) countries. PRSPs have given greater recognition to the importance of poverty and social impact analysis and these are becoming increasingly MDG based. However, a criticism of the PRSP process has been that it has been more donor-driven than country-driven. Moreover, this strategy is often not linked to other national strategies, like those to protect biodiversity or to combat desertification, and seldom gives adequate consideration to environmental issues contained in MDG 7.

41. In addition, the Johannesburg Plan of Implementation reemphasized the need reflected in MDG 7 for developing National Sustainable Development Strategies (NSDS). Such strategies should aim at coordinating and harmonizing various macro and sectoral strategies, and

identifying and building on complementarities. These should ideally encompass the following essential features: integration of economic, social, and environmental objectives; multi-stakeholder participation, effective partnerships, transparency and accountability; and country ownership. While many countries do have key components of such strategies in place, much work still remains to be done. There is also a need to ensure that NSDS are also coherent with the rest of the strategies being pursued to achieve the MDGs. Local communities have a significant role in the design of a national policy agenda, especially since the impact of globalization is often felt first at the local level. Strong and accountable local institutions and decentralized approaches to policy design and implementation can be an effective basis on which to build national and global agendas.

42. The importance of multi-stakeholder dialogues on these issues cannot be overemphasized. The establishment in many countries of participatory institutional structures or forums, with membership representing all stakeholders, has had some impact on high-level decision-making and on consensus-building for the formulation and implementation of national sustainable development strategies.

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B. Regional Level

46. Action to increase coherence at the regional and sub-regional level plays a critical role as a midway point between the national and global processes for four main reasons: the complementarity existing between global and regional institutions in a heterogeneous international community; the unequal size of the actors involved in global processes, which means that in order for smaller countries' voices to be heard they must be blended into a regional voice; the greater sense of ownership induced by regional and sub-regional institutions; and the

fact that the scope for effective economic autonomy has shifted in some areas (e.g. macroeconomic policy) from the national arena to the sub-regional or regional levels.

47. For many poor countries, particularly those with small populations and large structural obstacles to benefiting from the global economy, national-level policy making must be integrated with regional policy making. This need is clearest in the infrastructure sector and environmental protection, but should be extended to human resource development, science and technology, and social development. Regional integration can help in building the capabilities needed to take advantage of global opportunities.

48. Each region is at different levels of integration and cooperation and has different sets of priorities. In Africa, for example, the New Partnerships for Africa's Development (NEPAD) serves as a regional strategic framework for sustainable development, with one of the primary objectives being to reverse the marginalization of Africa in the globalization process and enhance its full and beneficial integration into the global economy. In East Asia, achieving greater regional financial stability is an important objective. The most noteworthy developments in this regard have been new initiatives to further monetary and financial cooperation among the 10 member states of the Association of Southeast Asian Nations (ASEAN) and China, Japan, and the Republic of Korea.⁵ This is also a priority in Latin America and the Caribbean, where efforts also continue towards sub-regional trade integration mixed with a myriad of free trade agreements.

⁵ See "International Financial System and Development" Report of the Secretary-General (A/59/...).

49. While regional integration and cooperation in the economic areas are being pursued by every region, there is a need to make this integration deeper and broader by focusing on the social and environmental dimensions. The European Union provides an example of deeper integration. Its cooperation covers issues like national social protection systems, common minimum worker standards, respect for the rule of law, human rights and gender equality. Most other regions are lagging behind in incorporating policies that focus on employment, education, human rights, gender equality and social goals. Such deeper and broad integration also requires a significant level of accountability. Thus, regionally agreed social targets would need to be monitored and this could be achieved through mutually acceptable peer reviews. These reviews would greatly facilitate regional policy coherence

50. In the area of environmental sustainability, there is not only growing recognition of the need for cooperation but also initiatives are being launched in various regions of the world. Enhanced regional cooperation in areas like energy, desertification, freshwater, human settlements etc. was identified as one of the priorities in the Johannesburg Plan of Implementation. A number of regional organizations like ASEAN and UN regional commissions are already active in this area and they could help in further deepening the integration of policies.

51. Efforts at the regional level are instrumental in fostering coherence both at the national and global levels. Observable, albeit uneven, progress is being made in regional cooperation on a broad range of areas, but large potential for additional benefits remains untapped. The UN Regional Commissions have an important role to play in this regard.

C. Global level

52. The challenges of globalization and the realization of the internationally agreed goals, including those contained in the Millennium Declaration require a global response that is coherent and well coordinated. While it is generally recognized that the root of global coherence lie at the national level, there are many areas or outcomes of increasing interdependence that require collective action. Such areas include international macroeconomic and financial stability, regulation of expanding global markets, global pandemics and environmental sustainability. Still, global management of these areas takes place in compartmentalized sectors such as trade, finance, health, social affairs, environmental issues and development cooperation. There are no mechanisms or arrangements that can adequately deal with these dimensions of global interdependence.

53. The United Nations Conferences and Summits of the last decade have greatly contributed to forging a global consensus on an integrated development agenda, which provides a practical framework for promoting policy coherence. To promote policy coherence, the goals of development have to be mainstreamed in other policies, particularly in some key aspects of economic policy. While developing countries have to ensure that their policies in each of these areas are mutually reinforcing, developed countries must guarantee that their development cooperation efforts are reinforced rather than undermined by their policies in other spheres. The MDGs, particularly Goal 8 regarding building a global partnership for development is a key to achieving policy coherence. Areas where further progress is essential are coherence among developed countries' aid, trade and debt policies, as well as between the different degrees of international mobility of capital and labour, especially among low-skilled workers.

54. The implementation of the Monterrey Consensus is especially relevant to questions of coherence between macroeconomic, trade, finance, aid, and debt policies. Detailed account of developments in these areas is given in the relevant reports. Here, it must be emphasized that while there has been some progress, particularly with regard to the quality and quantity of aid flows, overall much more needs to be done. For example, there is a need to link more closely debt policy with growth and development, by focusing on the interdependence between external financing and debt, on the one hand, and the performance of the real economy, on the other.

55. Trade is another area where policy coherence has been lacking. There are numerous cases of trade policies, or industrial or agricultural policies of developed countries undermining the impacts of their own development assistance. There is a growing recognition that the issues of market access and trade distorting subsidies need to be addressed. On 1 August 2004 WTO's General Council agreed to negotiate frameworks in the areas of agriculture, market access on non-agricultural products, services, and to reinforce the priority attached to the development dimension of the Doha work programme to bring tangible and timely results for developing countries. The agreement should contribute to the efforts of developing countries and the international community to meet the Millennium Development Goals. The Decision and the Framework, among other things, represent an important step towards enhancing coherence in the trade and aid policies.

56. However, global mechanisms for coherence and coordination on social and environmental issues are even weaker and more fragmented, making more challenging their

integration with the economic dimensions. A case in point is migration. Its multidimensional implications, including remittances, are increasingly apparent and recent global initiatives to reduce their transfer costs are positive. Yet clear gaps in the migration regime are not being filled, particularly the need for a common policy framework that makes the process more orderly. International conventions relating to the human and labour rights of migrants and their families have been ratified so far by only a handful of countries.

57. The environmental aspects are not being appropriately integrated into the equation. The broad picture regarding the realization of Goal 7 is not very promising. Even regions that have made significant progress in many other Goals, such as parts of East Asia, have shown very little progress on environmental protection. On most key indicators, from deforestation to land degradation and from water pollution to fisheries, the trend is not very encouraging. Progress in the implementation of the global conventions has been mixed. This coherence lag in integrating the environmental dimension has consequences for the overall progress in achieving the MDGs.

58. The quest for coherence in policy-making and norm-setting at the global level is rendered even more complex than at the national level by the presence of many independent institutions with different structures and functions in related fields accountable to varying memberships. In this regard, the MDGs provide a broad framework for coherence not only among country policies and programmes but also among multilateral institutions. Indeed, they have contributed in reshaping the United Nations system's work on development issues, particularly at the country level. It has contributed to a more coherent and coordinated approach to support programmes.

The United Nations Development Group has in particular organized its work around the MDGs developing new guidelines for UNDAF to be built explicitly around the Goals.

59. Moreover, the Monterrey Consensus has established a venue, with the Economic and Social Council's annual meetings with the BWIs and WTO, where issues of coherence between development, finance and trade are addressed. These dialogues have made tangible progress in the level of engagement of these institutional stakeholders. The High-Level Segment of ECOSOC as well as the Commission on Sustainable Development have provided also useful platforms for dialogues among different authorities and could be used more actively for the purpose of enhancing coherence at all levels, partially at the global level.

60. Recent proposals have provided a number of options to enhance dialogue on the key issues, which include social and environmental dimensions. They merit careful consideration and further elaboration. In particular, the proposal for "Policy Coherence Initiatives" to be undertaken by the relevant organizations on key issues like employment creation, reduction of poverty, gender equality, education, health, food security and human settlements. The objective of such Initiatives would be to progressively develop integrated policy proposals that appropriately balance economic, social, environmental and developmental concerns. Such Initiatives are particularly important to address the impact of trade, monetary and fiscal policies.

61. At the global level, there is a need to take measures to ensure that developing countries have some policy flexibility and space to manage their integration into the world economy. For instance, there are existing agreements like TRIPs which might reduce their ability to tailor

national policies to their specific needs. Similarly, there is also a growing tendency, particularly in the area of trade that is creating the risk of excessive harmonization of regulatory standards in developing countries. Such standard setting could reduce policy flexibility that is required for managing the risks of integrating in the process of globalization.

62. At the global level, there is a growing recognition that the international governance structures should evolve to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm setting. This would also help in promoting policy coherence and in making these institutions more supportive of the efforts to achieve the development goals. This was also recognized in the Monterrey consensus. However, the political will to comprehensively address this important issue has not yet been fully mobilized.

63. A striking feature of globalization has been the rapid growth of civil society organizations' influence and contribution to global priorities, as like-minded organizations in many countries come together, empowered by the Internet with access not just to information but to each other and a wider world. Civil society organizations raise public awareness, undertake research, mobilize public opinion and helps to ensure system accountability. Through growing global networks, they contribute to building integrated perspectives on global issues. They have also played a key role in mobilizing support for the MDGs. In developed countries, particularly Europe, there is growing support for the MDGs with a broad, civil society-led coalition being set up to focus on the 2005 review of the implementation of the Millennium Declaration under the rubric of "Make Poverty History."

IV. Conclusions and Recommendations

64. There are two main aspects of forging coherence in advancing the development goals in a globalizing world economy. Firstly, promoting coherence between the economic, social and environmental dimensions of the goals. Secondly, achieving harmony and consistency between these goals and the policies to integrate in the global economy while managing the risks. These are formidable challenges and would require a well-coordinated response. At the national level, these challenges need to be addressed by building stronger institutions, enhancing coordination among various parts of the government, investing in economic and social infrastructure, including education and health, generating employment and providing opportunities for training and skill acquisitions, addressing environmental sustainability concerns and promoting broader participation. At the regional level, there is a need to broaden and deepen regional integration as well as to foster coherence through greater coordination of policies and through peer reviews. While some regions have taken necessary steps to achieve these ends, others still lag behind. At the global level, there is a need to strengthen multilateral institutions as well as to enhance coordination and dialogue among them, promote consistency in the aid, trade, external debt and development cooperation policies, launch policy coherence initiatives and provide policy space for developing countries, provide a forum for dialogue among policy-makers dealing with economic, social and environmental aspects of development and facilitate broad-based participation in international decision-making.

Recommendations

National Level

65. Measures should be instituted to promote a “whole of the government” approach. In developing countries, this will require assistance for building institutions and capacity for enhanced policy coordination.

66. Promote the establishment of effective mechanisms to ensure coordination between economic, social and environmental authorities as well as to raise public awareness and promote consideration and integration of the social and environmental impact of economic policy. Gender should be mainstreamed into all national policies and programmes.

67. Enhance investment in health and education sectors. Efforts in education should focus on achieving universal coverage for girls and boys, improving schooling retention and completion rates, large-scale use of new technological resources and the allocation of sufficient public funds to formal education and training programmes. Girls’ education should be seen as a strategic intervention.

68. Efforts should be made to increase the rate of growth of new jobs that yield incomes above the poverty line. At the same time, policies and programmes to raise the productivity and incomes of those that remain in sub-poverty employment in the informal economy should be developed. Appropriately funded programmes should therefore be designed to provide informal workers with training and access to formal financial sources and social protection.

69. Measures are required to ensure that development strategies promote coherence among the various dimensions of development goals. Efforts by countries and institutions to develop MDG-based PRSPs should be further pursued, including detailed needs assessments, identifying appropriate plans for scaling up investment in critical areas. Also, incentives to integrate environmental factors into the PRSPs should be created, including through channeling of additional environmental funding into national PRSP processes.

70. Efforts should be made to promote the adoption of National Sustainable Development Strategies in countries that have not done so as yet. Such strategies should be consistent with the development goals and become tools for promoting coherence and consistency in national policies. Training and capacity building are basic requirements to assist countries in this process.

71. Member States where national economic and social councils, national councils for sustainable development, or similar mechanisms do not exist should consider their expeditious establishment, with a view to enhancing broad-based participation in national policy formulation and implementation processes. A dialogue of these national councils could be convened in preparation of the 2005 review of the Millennium Declaration.

Regional level

72. Undertake measures to expand the scope of regional cooperation to include social and environmental issues, to deepen policy integration and to promote institutional coherence

73. Consider establishing arrangements for mutual review of policies and programmes at the sub regional, regional and international levels in support of agreed developmental goals and commitments. Where already in place, these arrangements should be further strengthened, to ensure that the process of globalization promotes the achievement of the development goals.

74. The UN regional commissions should make more use of their regular intergovernmental meetings to address issues of coherence at the regional level. Such meetings should contribute to bridging institutional gaps among the national, regional and global processes in response to globalization. The commissions could also promote periodic regional dialogues on the multiple dimensions of globalization, with a view to promoting the MDGs as a framework for addressing them.

Global Level

75. Promote coherence in the multilateral system, particularly in the trade, aid and macroeconomic policies and make them mutually supportive. Governments of developed countries should endeavour to make their national policies consistent with the efforts to achieve the development goals.

76. Enhance coordination among global institutions dealing with development, finance and trade issues. In this context, the spring meeting of ECOSOC provides an important forum for promoting policy coherence. Ways and means should be explored in order to make this dialogue more productive as well as for fuller engagement of trade stakeholders.

77. Facilitate interaction and dialogue among main actors in the economic/finance and trade, social and environment spheres. In this regard, the Spring meeting of ECOSOC and the High Level Segments of the Council and the Commission on Sustainable Development may be used more effectively.

78. Encourage UN system organizations to launch policy coherence initiatives to address all dimensions of the development goals leading to policies that make these goals mutually supportive.

79. Promote an international dialogue on measures which would provide developing countries with policy space and flexibility to manage the risks of integrating in the global economy.

80. Make tangible progress in enhancing the participation of developing countries in international economic decision-making. As it is widely recognized, such participation would help in making decisions more balanced and more supportive of development goals.

To this end, the international community should continue to search for acceptable solutions that can lead to possible breakthrough in this area.