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**Sixty-sixth session**

Agenda item 18

**Follow-up to and implementation of the outcome of the  
2002 International Conference on Financing for  
Development and the 2008 Review Conference****Summary by the President of the General Assembly  
of the fifth High-level Dialogue on Financing for  
Development (New York, 7 and 8 December 2011)****I. Introduction**

1. The General Assembly held its fifth High-level Dialogue on Financing for Development on 7 and 8 December 2011 at United Nations Headquarters. The overall theme of the meeting was “The Monterrey Consensus and the Doha Declaration on Financing for Development: status of implementation and tasks ahead”.

2. The Acting President of the General Assembly, H.E. Mr. Gary Francis Quinlan, opened the meeting on behalf of the President of the General Assembly, H.E. Mr. Nassir Abdulaziz Al-Nasser. Statements were also made by the Deputy-Secretary-General, Ms. Asha-Rose Migiro, and the President of the Economic and Social Council, H.E. Mr. Lazarous Kapambwe. Three ministers, one vice-minister and other officials from 53 Governments made statements to the plenary, including seven representatives speaking on behalf of groups of countries.

3. The second day was devoted to three interactive multi-stakeholder round tables on selected themes, each followed by an informal interactive dialogue. Participants at those informal meetings included high-level representatives of Governments, representatives of international organizations and observers, and 24 representatives of civil society organizations and the private sector. The titles of the round tables and the informal interactive dialogue were as follows:

- Round table 1: The reform of the international monetary and financial system and its implications for development.

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- Round table 2: The impact of the world financial and economic crisis on foreign direct investment and other private flows, external debt and international trade.
  - Round table 3: The role of financial and technical development cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development.
  - Informal interactive dialogue: The link between financing for development and achieving the internationally agreed development goals, including the Millennium Development Goals.

4. The meeting had before it the reports of the Secretary-General on: (a) “Follow-up to and implementation of the Monterrey Consensus and Doha Declaration on Financing for Development” (A/66/329); (b) “Innovative mechanisms of financing for development” (A/66/334); (c) “International financial system and development” (A/66/167); (d) “External debt sustainability and development” (A/66/164); (e) “International trade and development” (A/66/185); and (f) the “Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 10 and 11 March 2011)” (A/66/75-E/2011/87). The discussions held at the plenary meetings, round tables and interactive dialogue meetings are summarized below.

## **II. Plenary meetings**

5. The President of the General Assembly, H.E. Mr. Nassir Abdulaziz Al-Nasser, in his opening remarks delivered by the Acting President, H.E. Mr. Gary Francis Quinlan, expressed deep concern over a range of factors contributing to the uncertain global economic environment, including the sovereign debt crises in Europe, the continuing jobs crisis in developed countries, weaknesses in the financial sector, climate change and volatile food and energy prices. Moreover, political divides over how to tackle these problems and calls for fiscal austerity were impeding effective and coordinated policy responses. Donors needed to deliver on their ODA commitments despite fiscal pressures and explore the potential of innovative financing to provide additional resources. He also noted that after almost a decade of multilateral trade negotiations, the share of the least developed countries (LDCs) in world trade remained extremely low. It was therefore important for the international community to provide duty-free and quota-free (DFQF) access for all products originating from LDCs and increase resources for Aid for Trade to enable poorer countries to enhance their trade competitiveness.

6. The President warned that debt sustainability of developing countries could be adversely affected by the spill over from the European debt crisis. In this context, the effectiveness of debt sustainability frameworks needed to be re-examined through further work at the inter-agency level. Efforts were also needed to design instruments and institutional mechanisms to better deal with debt distress. He called for better cooperation of multilateral institutions, greater voice and participation of developing countries in the Bretton Woods institutions (BWIs) and more effective macroeconomic policy coordination. There was a need to ensure complementary of

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efforts between the G-20, the United Nations and other multilateral organizations. The recently established practice of convening informal meetings of the General Assembly before and after the G-20 Summits represented an important step in this direction. In concluding, the President emphasized that the High-level Dialogue was an important opportunity to mobilize the necessary policy actions and to fully implement the Monterrey Consensus and Doha Declaration on the eve of such important fora as the Thirteenth session Of the UN Conference on Trade and Development (UNCTAD XIII) and the UN Conference on Sustainable Development (Rio+20).

7. The Deputy Secretary-General, Ms. Asha-Rose Migiro, highlighted the fact that the meeting took place at a time of continued crisis and uncertainty, not only for the world's poorest and most vulnerable, but also in most donor countries. While the economic recovery remained fragile and uneven, unemployment and vulnerable employment persisted, poverty was on the rise and famine threatened more than 13 million people in the Horn of Africa. As a result, many developing countries needed additional assistance to cope with the impact of the crisis and to expand their social safety nets. Yet, most donor countries, faced with mounting debts, were tightening their budgets. In this difficult environment, it was critical that donor countries fulfil their commitments regarding official development assistance (ODA). Development cooperation was not charity but rather smart investment in security and prosperity. Much more needed to be done to address all the foundations of the partnership for development, as set out in the Monterrey Consensus and Doha Declaration, including domestic resource mobilization, investment, trade, aid, debt relief and reforms of global economic governance.

8. She stressed that the international community should do more to enable long-term public investments in infrastructure, green technology, human capital, public services and social protection. Moreover, a successful conclusion to the Doha Round of multilateral trade negotiations remained essential. She urged States involved in the Doha Round to achieve an “early harvest” on DFQF access for all exports from LDCs. The debt picture was equally troubling. It was important to ensure that spill over effects from debt crises in the developed world would not jeopardize debt sustainability in developing countries. Fresh efforts were needed to extend debt relief to the poorest and most vulnerable countries – and, more broadly, to explore how to deal with debt distress more effectively and fairly. Finally, she called for enhanced coordination, coherence and effective policymaking across the entire United Nations system. More effective global economic governance should give developing countries a greater voice. Ongoing quota reforms at the BWIs were important steps in that direction. While the values and principles contained in the Millennium Declaration remained as relevant as ever, new development challenges, such as inequality, climate change and food and energy security should be recognized, too. The UN Conference on Sustainable Development provided a crucially important opportunity to give new life to this objective.

9. The President of the Economic and Social Council (ECOSOC), H.E. Mr. Lazarous Kapambwe, highlighted the importance of the Monterrey Consensus and Doha Declaration on Financing for Development for the achievement of the internationally agreed development goals, including those contained in the Millennium Declaration. During 2011, ECOSOC had remained engaged with the Financing for Development agenda through its Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations

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Conference on Trade and Development, the substantive session of the Council, and a High-level Symposium that was held in preparation of the 2012 Development Cooperation Forum (DCF). The President provided a brief overview of some major points emanating from the discussions in the Council. First, it was imperative that developed countries fulfil all their ODA commitments. Ensuring sufficient and reliable ODA flows was essential for many developing countries, in particular LDCs. A major challenge in achieving long-term growth in LDCs was investing in their productive capacities and in the creation of decent jobs. In this regard, ECOSOC considered it crucial to build on the outcomes of the Istanbul Conference on LDCs and to implement the Istanbul Programme of Action.

10. It was also important to address the development needs of middle-income countries and to better align international support with national priorities in this group of States. Moreover, it was widely recognized that innovative financing mechanisms had the potential to raise resources for development that were additional to ODA. It was also necessary to further explore practical solutions to increase the impact of aid on people's lives. The Fourth High Level Forum on Aid Effectiveness in Busan gave new impetus to root ODA in country level dynamics and a broader development focus. The President underscored that the 2012 DCF would build on this momentum and serve as a major platform to share and analyze good practices and innovative approaches to development cooperation. Finally, in order to overcome systemic impediments to financing for development, international efforts to reform the international monetary and financial system needed to continue. Particularly, there was a broad consensus on the need to reform the existing governance system and make it less fragmented. In this context, a strengthened and more effective ECOSOC could continue to play an important role as a hub for international policy coordination.

11. During the general debate on the overall theme, "The Monterrey Consensus and Doha Declaration on Financing for Development: status of implementation and tasks ahead", many speakers expressed deep concern about the impact of the highly fragile and uncertain global economic situation on trade, capital flows and economic development. A projected downturn in the global economy could threaten the attainment of internationally agreed development goals, including the Millennium Development Goals (MDGs). Energy, food and commodities price volatility and climate change mitigation and adaptation posed additional challenges requiring renewed and adequate policy responses, especially in support of the LDCs, as called for in the Istanbul Programme of Action.

12. Several speakers emphasized the importance of domestic resource mobilization for development, including effective tax systems and improved policy and governance frameworks. Governments should maintain the highest standards for accountability and transparency and continue to fight corruption and illicit financial flows. It was noted that illegal outflows from developing countries were estimated to exceed total ODA by a wide margin. Consequently, illicit financial flows were a major impediment to development. Curbing illicit flows and recovering stolen assets to the country of origin, as mandated in the United Nations conventions against corruption and transnational organized crime, could make a major contribution to development finance. However, some speakers emphasized that, while domestic resource mobilization was important, many developing countries faced tremendous challenges in their efforts to reach the necessary growth rate and investment ratios

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for sustained development. Therefore, it was imperative to discuss measures that would lead to an enabling international environment.

13. Several participants expressed concern about the impact of the world financial and economic crisis on foreign direct investment. Some speakers highlighted that private sector flows, including capital flows, trade and remittances, represented the bulk of development financing. Others noted that the volume of FDI flows to LDCs remained low and mostly concentrated in extractive sectors. Representatives of LDCs called for the introduction of incentive schemes for multinational corporations, which would help promote more diversified investments into productive sectors of LDCs. Some speakers stressed the growing inflows of remittances into LDCs, and called for an enabling legal, regulatory and institutional environment, as well as measures to reduce transaction costs.

14. Many participants expressed concern about trade protectionism and emphasized the need for a speedy and successful conclusion to the Doha round of multilateral trade negotiations. Some speakers called for an early harvest on (i) the full implementation of the provisions of the WTO Hong Kong Ministerial Declaration concerning DFQF market access for all products originating from all LDCs, (ii) a waiver decision on preferential and more favourable treatment for services and services suppliers of LDCs, and (iii) an ambitious, expeditious and specific outcome for cotton-trade-related aspects, in particular, the elimination of trade-distorting domestic support measures and export subsidies, and the granting of DFQF market access for cotton and cotton by products originating in LDCs.

15. Notwithstanding the bleak global economic outlook and fiscal pressures in many donor countries, many speakers called for the full implementation of the commitments and agreements contained in the Monterrey Consensus and Doha Declaration on Financing for Development. In particular, donors needed to make good on their promises to deliver on their ODA commitments, despite budgetary constraints. While several speakers acknowledged the efforts, which had been made by some donor countries to achieve, or even exceeded the target of 0.7 per cent of Gross National Income (GNI) to ODA, there was concern that the majority of developed countries had not yet met their commitments. Many participants emphasized the potential of innovative mechanisms of financing for development in providing new resources that are stable, predictable and complementary to ODA.

16. Proposals were made to explore new forms of innovative financing, such as a financial transactions tax and a small levy on currency exchanges. South-South cooperation was also seen as an effective way to provide important sources for development finance. In this context, it was proposed to create a Task Force on South-South and triangular cooperation within the Leading Group on Innovative Financing for Development. Several countries welcomed the outcome of the Busan Forum as an important step to establish a framework for aid and aid effectiveness that would embrace traditional donors and emerging economies, as well as civil society and other development partners.

17. Some speakers expressed concern about debt distress and debt sustainability of developing countries, especially in view of possible adverse effects of spill over from the European debt crisis. Many delegations stressed the importance of holding comprehensive discussions, including within the United Nations and other appropriate forums, on the need and feasibility of new sovereign debt restructuring and debt resolution mechanisms. These discussions should take into account the

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multiple dimensions of debt sustainability and its importance for the achievement of the internationally agreed development goals, including the MDGs. Some participants also called for the cancellation of all LDC debt and the expansion of the Highly-Indebted Poor Countries (HIPC) initiative to address the debt problems of all LDCs. Several delegates called on the international community to follow a more systematic approach to addressing the needs of middle-income countries, with the aim of providing them with increased access to concessionary financing and debt relief.

18. According to several speakers, a new global partnership for development needed to be forged. In the current situation, where the world economy faced severe risks and high market volatility, ensuring equitable economic growth and promoting stability should be the top priorities of the international community. To this end, countries should strengthen macroeconomic policy coordination. Regional initiatives like the Chiang Mai Initiative Multilateralization (CMIM) agreement could play an important role in crisis prevention and management and effectively supplement existing international financial arrangements.

19. Many participants stressed the need for a substantive and comprehensive reform of the international economic and financial system and architecture. Particularly, the world financial and economic crisis had highlighted the importance to further increase the representation and voice of developing countries in global economic governance. These reforms should reflect current realities and ensure full participation of emerging market and other developing countries in the decision-making and norm-setting fora. Some participants called on international financial institutions, including the BWIs, to recognize LDCs as a special category, based on the UN vulnerability indices. This would also help enhance the efficacy of LDC targeted support measures.

20. Many speakers reaffirmed the relevance of the Financing for Development (FfD) agenda in a post-2015 development framework. It was highlighted that the FfD process must continue to promote mutual accountability, national ownership, inclusive partnerships and focus on development results. There were calls to further intensify the engagement of all stakeholders in the FfD process, including the United Nations system, the World Bank, the IMF and the WTO, in the follow-up and implementation of the commitments made at Monterrey and Doha.

21. Several speakers highlighted the recent decision of the General Assembly to consider the need to hold a follow-up conference on FfD by 2013 as a way to strengthen the FfD follow-up mechanism and as an opportunity to adapt the FfD process to new challenges and emerging issues. Some Member States referred to the request of the General Assembly addressed to the Secretary-General to submit in August 2012 a report providing elements for an assessment of the existing modalities of the FfD follow-up process and, on this basis, exploring detailed options regarding possible arrangements for strengthening the process. It was emphasized that such a report should provide proposals to be considered by Member States on the organization, membership, structure, mandate, scope and other relevant aspects of a proposed commission on FfD under the authority of the General Assembly.

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### **III. Round table 1. The reform of the international monetary and financial system and its implications for development**

22. In her opening remarks, the Chairperson of Round table 1, H.E. Mrs. Maria Luiza Ribeiro Viotti, Permanent Representative of Brazil to the United Nations, underscored that despite some measures taken by the international community to address systemic impediments to financing for development, persistent deficiencies of the international monetary and financial system continued to give rise to global instabilities and hampered resource mobilization and crisis resilience in developing countries. There was a need to further reform and strengthen the international monetary and financial system in support of development. Key reform areas were financial regulation and supervision, multilateral surveillance and macroeconomic policy coordination. In addition, it was necessary to address sovereign debt issues; to provide global and regional financial safety nets and to further reform the international reserve system. Moreover, many developing countries saw the need for further steps to redress imbalances in terms of their voice and representation in international financial institutions.

#### **Presentations by the panellists**

23. Round table 1 featured four presentations, by José Antonio Ocampo, Professor in the Professional Practice in International and Public Affairs at Columbia University; Elliott Harris, Special Representative of the International Monetary Fund (IMF) to the United Nations; Emmanuel Nnadozie, Director, Economic Development and NEPAD Division, United Nations Economic Commission for Africa (ECA); and John Vance Langmore, Representative of the Academic Council of the United Nations System (ACUNS).

24. Mr. Ocampo (Columbia University) stressed that the Monterrey Consensus continued to be a crucial framework to advance financing for development. Regarding systemic reforms, he pointed out that progress had been achieved in three areas, namely, financial regulation, the global financial safety net and macroeconomic policy coordination. The establishment of the Financial Stability Board (FSB) and the adoption of the Basel III rules had advanced financial regulation, despite some weaknesses. The issuance of Special Drawing Rights (SDRs), new IMF credit lines, regional financial mechanisms as well as arrangements between major central banks had enhanced global liquidity provision. Economic policy coordination had been strengthened within the G-20, but should be carried out within a formal universal body such as the IMF.

25. Mr. Ocampo also highlighted three areas within the international monetary and financial system in which reform progress had been insufficient: capital flow management; sovereign debt; and the international reserve and exchange rate system. Cross-border capital flows needed to be integrated in the overall regulatory framework. The lack of a multilateral sovereign debt restructuring mechanism represented a major gap in the global financial order. The international reserve system was still based on a few reserve currencies. According to the speaker, the role of SDRs in this regard should be strengthened. Exchange rate volatilities between major currencies posed serious challenges and needed to be addressed at the multilateral level.

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26. Mr. Harris (IMF) discussed several areas in which the IMF was playing a central role. The latest review of IMF surveillance, concluded in October 2011, had identified some remaining gaps, including the need to make surveillance more focussed on spill over effects between countries and financial stability. Moreover, IMF surveillance needed to gain traction. The speaker also pointed to the benefits and risks of capital flows. The IMF was developing a policy framework on managing capital inflows. Major elements were structural measures to enhance a country's capacity to absorb capital, adjustments of macroeconomic policies and capital controls. Such capital controls could be used under certain, country-specific circumstances, but should not substitute appropriate macroeconomic policies.

27. Turning to the global reserve system, Mr. Harris stressed the advantages of enhancing the role of SDRs as a reserve asset. SDRs would contribute to reducing precautionary reserve accumulation and help diversifying the supply of safe global assets. In view of technical and political challenges, however, a major change in the role of SDRs was not likely in the foreseeable future. The global financial safety net had been strengthened, including through new IMF facilities. Establishing a Global Stability Mechanism (GSM) and enhancing synergies with regional financing arrangements were under consideration as further options.

28. Mr. Nnadozie (ECA) emphasized the implications for Africa of current efforts to reform the international financial system and stressed the importance of voicing the views and positions of African countries in the process of such reform. Issues of particular concern to Africa were the provision of support to deal with the impacts of the global financial and economic crisis and the move towards a more inclusive international financial system.

29. Mr. Nnadozie expressed the view that financial resources of international financial institutions should be increased. The participation of Africa in the process of strengthening financial regulation needed to be enhanced. He pointed out that the Basel III framework posed problems for African countries due to its complexity and implementation costs. The speaker supported the issuance of new SDRs as an alternative reserve asset. A tax on financial transactions or institutions was also recommended. In addition, African countries should accelerate the process of putting in place a regional financial architecture to deal with future financial crises. To this end, regional financial institutions established within the African Union should become operational as soon as possible.

30. Mr. Langmore (ACUNS) focussed on the issue of global economic and financial governance. The growth in international economic integration had outpaced the existing capacity for global economic governance. International institutions had to be strengthened to ensure they were capable of taking swift and effective action. This had become especially apparent during the recent financial and economic crisis. According to the speaker, the crisis had also demonstrated the need for a new economic paradigm, which was broader and more inclusive than maximizing incomes and expecting the benefits to trickle down. This would in particular involve finding a better balance between the market and the state.

31. Mr. Langmore stressed the importance of stronger regulation of the banking sector, including financial institutions perceived as "too big to fail". Another issue to be addressed through international regulation was tax evasion facilitated by banking secrecy. The most effective way to strengthen international tax cooperation was establishing an international tax organization. This could be done by upgrading

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the UN Committee of Experts on International Cooperation in Tax Matters into an intergovernmental body. With regard to international economic policy coordination, the G-20 needed to enhance its legitimacy and outreach. The speaker recalled proposals to establish a Global Economic Coordination Council within the UN, supported by an International Panel of Experts.

### **Discussion**

32. During the interactive exchange of views that followed, many speakers expressed the view that the reform of the international monetary and financial system should be a priority issue for the international community. Effective and targeted financial regulation, including of the shadow banking system, was vital. There was also a pressing need for international guidance on the management of capital flows. In addition, illicit capital flows needed to be better addressed at the multilateral level.

33. Some speakers advocated for enhanced cooperation between the IMF and regional financial mechanisms. A number of speakers also underscored the need to further improve multilateral surveillance and to reform the global reserve system in order to reduce precautionary reserve accumulation. A few speakers expressed support for introducing a financial transaction tax.

34. Referring to the level of the individual financial firm, some speakers stressed that financial institutions had to strengthen their understanding of and preparedness for systemic risks. It was also emphasized that compliance with basic principles of corporate governance was instrumental in enhancing crisis resilience at the firm level.

35. With regard to macroeconomic policies, some speakers pointed to the risks of premature fiscal consolidation in advanced economies in response to high public debt. At the same time, it was noted that medium- and long-term fiscal consolidation plans needed to be credible. A few speakers stressed that overall economic and development models needed to be people-centred and focussed on the common good. Policies to foster job creation, social protection, sustainable development and education were vital. Concerns were expressed regarding rising economic and social inequalities. It was noted that countries with more equitable income distribution experienced more sustainable growth.

36. Many speakers pointed out that the system of global economic governance was flawed with gaps and deficiencies and did not properly reflect current economic realities. It was crucial to ensure fuller voice and participation of developing countries in global economic decision-making and norm-setting. Special consideration should be given to the LDCs. The UN should play a leading role in global economic governance, pursuant to its mandate as set forth in the UN Charter. In particular, ECOSOC should be reinvigorated and strengthened. There were also calls for continuing reforms of the governance structures of the BWIs. A number of speakers supported stronger linkages between the G-20 and non-G-20 members.

37. Some speakers referred to the institutional framework of the Monterrey process and called for a Financing for Development Review Conference in 2013. According to several participants, the annual Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD should be strengthened and feature outcome-oriented discussions. Some speakers also expressed support for upgrading

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the UN Committee of Experts on International Cooperation in Tax Matters into an intergovernmental body.

#### **IV. Round table 2. The impact of the world financial and economic crisis on foreign direct investment and other private flows, external debt and international trade**

38. In his opening remarks, the Chairperson of Round table 2, H.E. Mr. Lazarous Kapambwe, Permanent Representative of Zambia to the United Nations, highlighted that the crisis continued to impact developing countries through finance, debt and trade channels. He pointed out that, while net private capital flows to developing countries had been recovering over the past couple of years, they had suffered a strong setback in the third quarter of the year due to the sharp deterioration in global financial markets. Similarly, despite improved external debt indicators in a number of developing countries, there remained serious concerns about debt sustainability. Therefore, effectiveness of debt sustainability frameworks needed to be re-examined through further work at the inter-agency level. He also indicated that the global crisis had distracted some of the attention of policy makers from the Doha Round of multilateral trade negotiations and called for countries to arrive at a successful and development-oriented conclusion.

##### **Presentations by the panellists**

39. Round table 2 featured three presentations, by Lawrence Goodman, President, Center for Financial Stability; Daniel Titelman, Director, Financing for Development Division, Economic Commission for Latin America and the Caribbean (ECLAC); and Michael Clark, Interregional Advisor, United Nations Conference on Trade and Development (UNCTAD).

40. Mr. Goodman (Center for Financial Stability) made three major points. First, while economies and financial markets remained highly inter-connected, he expressed the view that the recent crisis had not been created by or had resulted from those long-standing relationships. Second, while the future for emerging economies was bright, a focused and effective policy response to the current crises was critical as direct and portfolio investors more actively scrutinized risks. Lastly, communication strategies of policies and plans were pivotal. Mr. Goodman stressed the severity of the “Great Recession”, which had resulted in a greater relative cumulative deficit than the Great Depression and the 1982 recession in the US.

41. Mr. Goodman warned that the financial crisis had changed the markets’ perception of governments as risk-free lenders. While public spending had increased demand in many nations, limits to governments’ ability to stimulate the economy in this manner would soon be reached due to fiscal pressures. In this regard, he warned that markets would increasingly scrutinize sovereign balance sheets and income statements. Public spending constraints would moreover negatively impact on the attainment of the MDGs. To overcome these constraints, Mr. Goodman argued, governments needed to manage local public finance prudently and think creatively regarding engaging the private sector. The speaker also highlighted the need for a well thought-out response to the current debt crises in Europe. He pointed out that the Economic Subcommittee (ESC) to Bank Advisory Committees during the Brady

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Debt restructuring era provided a blueprint for identifying common ground, deepening communication and paving the way for the benefit of creditors and debtors alike. Looking ahead, according to Mr. Goodman, sensible economic policies should be guided by long-term growth objectives, sustainable levels of debt and sufficient official resources to support and ensure the successful implementation of policy measures.

42. Mr. Titelman (ECLAC) highlighted the fact that international financial flows to Latin America and the Caribbean had experienced a significant reduction as a consequence of the 2008 global crisis. The factors that explained the reversal included deleveraging by financial institutions and increased risk aversion by investors leading to greater home bias and demand for “safe” assets. International flows were also suppressed by the higher financial needs of the developed economies and greater uncertainty on the part of investors regarding future prospects for the global economy and for the region. Mr. Titelman emphasized that the 2008 crisis led to a reduction in both FDI and portfolio flows to Latin America. However, portfolio flows increased in 2009 and 2010 while FDI only started to recover in 2010. Moreover, in 2011, capital flows showed resilience and the appetite for regional assets remained relatively robust despite renewed concerns over the global economy and heightened risk aversion.

43. Mr. Titelman also referred to trends in other components of capital flows to Latin America and the Caribbean as well as trends pertaining to trade. He pointed out that remittances had been decreasing as a share of the region’s GDP since 2005, while ODA flows had been exhibiting a declining trend in the last decades and stood, in 2011, at 0.22 per cent of region’s GDP, almost 0.3 percentage points lower than in 1990. Mr. Titelman further highlighted that trade flows had fallen substantially in 2009 as a result of the global crisis, yet had recovered vigorously in 2010 and 2011. He argued that the future performance of regional trade would be largely determined by developed economies prospects, as well as the level of external demand for commodities by China. The speaker referred to increased global economic uncertainty in recent months, which had raised downside risks for the region. Moreover, greater volatility with regard to exchange rate movements, private flows and terms of trade had become generalized and, consequently, translated into more volatile GDP growth rates in the region.

44. Mr. Clark (UNCTAD) commented on the leading role of finance and of financial activities in both causing and propagating the crisis and its impacts. He noted that the ongoing financial crisis could end in one of two ways. Either through market forces, which would wreak more disruption, dislocation and misery on the world economy, or by a determined and concerted effort by developed and developing countries to rebalance the world economy in a way that would be timely, sustainable and just. He called for a more integrated approach to policy making which not only linked macroeconomic, sectoral, trade and financial policies in support of growth and development, but also brought together economic, environmental and social policies, leading to sustainable and inclusive outcomes.

45. In particular, Mr. Clark argued that three fundamental tasks must be undertaken to achieve development-led globalization. The first pertained to reforming the financial system, enabling it to be more stable and better mobilize resources for productive investment. Volatile and pro-cyclical capital flows needed to be replaced with predictable and long-term development finance, regional

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financial cooperation enhanced, surveillance and regulation strengthened at all levels and new institutional arrangements considered. Second, in order to channel financial and other resources towards the right kind of productive activities, industrial development should be a priority. In particular, industrial policy should be aligned with measures to build inclusive development paths and accompanied by complementary policies relating to trade, global rules and regulation and institutional development in areas of particular interest to developing countries, such as commodity markets. The third vital task, according to Mr. Clark, was to agree on a new globalized social contract, founded upon certain minimum shared expectations and reflecting the fundamental right of all nations to choose their own path to development. A strong social compact would require a range of universal and targeted social policies, tailored to specific circumstances, to ensure that the benefits of growth were widely enjoyed and its risks shared fairly.

### **Discussion**

46. During the interactive discussion, it was noted that countries had seen an uneven and fragile recovery in trade and capital inflows following the world financial and economic crisis. While speakers highlighted the potential for FDI to provide opportunities for capital, job creation and technology, they also underscored that the volatile nature of short-term portfolio flows called for policy measures to mitigate potentially adverse effects on aggregate domestic demand and economic growth.

47. There were calls for a new paradigm in support of a more equitable, coherent and stable international financial architecture that was based on pragmatism rather than free-market orthodoxy. Such a system should be more supportive of the productive sector of the economy rather than short-term capital movements. It was noted that any reform of national regulatory and policy frameworks needed to be sensitive to the fact that economies and financial markets would remain highly interconnected, as evidenced by the world financial and economic crisis.

48. Some speakers underscored the need to address the plight of the most poor and marginalized people in macroeconomic policy responses to the crisis. It was pointed out that LDCs were vulnerable to the effects of the crisis through reduced FDI and remittances, volatile commodity prices, the reduction in projected ODA and debt sustainability issues.

49. Some participants stressed the important development contribution of South-South cooperation in promoting FDI and trade flows. It was highlighted that South-South investment and trade flows were likely to grow in significance in the future, in line with faster growth rates in some leading developing economies. Some speakers argued that increased consideration needed to be given to issues pertaining to South-South investment and trade flows within the financing for development process.

50. The need to mobilize finance for infrastructure investments was emphasized. Given its long-term nature, it was argued that infrastructure investment should not be affected by short-term economic considerations. This should especially be the case for those investments that were publically financed. Better infrastructure was also seen as an important vehicle to increase inter- and intraregional trade flows.

51. In connection with the current sovereign debt crises in some developed economies, speakers highlighted the importance for sensitive crisis management and

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proper communication of policy measures to restore consumer and investor confidence. There were calls for independent debt work out mechanisms to prevent future crises. In this regard, the work done by UNCTAD on principles for responsible lending and borrowing was highlighted. For long-term debt sustainability, it was also seen as important to increase the capacity to raise national revenue through the reduction of illicit capital flows.

#### **IV. Round table 3: The role of financial and technical development cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development**

52. In his opening remarks, the Chairperson of Round table 3, H.E. Mr. Morten Wetland, Permanent Representative of Norway to the United Nations, emphasized that fulfilling all ODA commitments was of vital importance for many developing countries, particularly the LDCs. However, effective mobilization of domestic resources was essential for sustainable development and for avoiding aid dependency in the long term. He stressed the importance of stemming illicit financial outflows from developing countries and called for stepped up international tax cooperation. He also cited Norway's experience of imposing a special tax of 50 per cent on income from petroleum extraction, in addition to the ordinary income tax of 28 per cent, as an example that could be emulated by resource-rich African countries. The speaker noted that the levy was imposed on the value determined by Norway's Ministry of Finance, not on the price level stated in the invoice submitted by the producers. He also drew attention to the complementary role of innovative financing mechanisms and referred to taxing tobacco products as well as financial and currency transactions as promising new sources of financing.

##### **Presentations by the panellists**

53. The round table featured four panel presentation, by Julien Meimon, Head of the Permanent Secretariat of the Leading Group on Innovative Financing for Development (France); Ekaterina Gratcheva, Lead Financial Officer, Banking and Debt Management, World Bank; Abdallah Al Dardari, Director, Economic Development and Globalization Division, Economic and Social Commission for Western Asia (ESCWA); and Renate Hahlen, Deputy Head, Unit A3 on Coherence of EU Policies for Development, EU Aid Effectiveness, European Commission.

54. Mr. Meimon (France) focused his presentation on innovative sources of development financing. The speaker emphasized the potential of innovative finance to complement existing ODA and to remedy some of the quantitative and qualitative shortcomings of ODA, such as insufficient predictability and volatility. According to the speaker, innovative financing mechanisms would not replace existing aid commitments, since they primarily focused on sectors and approaches that were currently not targeted by traditional ODA. However, he highlighted the need to improve the accounting of these flows in OECD-DAC statistics, in order ensure their additionality. Furthermore and contrary to common perception, these new forms of development financing would not add much complexity to the existing aid

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architecture, as the large majority of the countries involved in innovative finance were traditional donors. Moreover, the modalities of managing innovative sources of finance, which included pooling resources, long-term contracting with suppliers to meet recurrent needs of recipient countries and an emphasis on internationally agreed development goals, would make them more effective and flexible than ODA.

55. Many innovative financing schemes, including market mechanisms, taxes on globalized activities, private contributions and debt conversion mechanisms, had proven their viability and capacity to generate substantial amount of new resources for achieving the MDGs. Looking ahead, the speaker argued that the most promising and well-studied mechanism that could be implemented next was the proposed financial transactions tax (FTT). Mr. Meimon highlighted that similar taxes in one form or another had been introduced in over 40 countries. The speaker emphasized that an FTT could raise EUR 30 to 50 billion of additional resources for development annually, if it was only introduced in Europe. He reminded the audience of the pioneering role the UN and the FfD process had played in launching the work on innovative financing. He called for a continued strong global partnership to mobilize global support and solidarity for scaling up existing and promoting new sources of innovative financing, including the FTT initiative.

56. Ms. Ekaterina Gratcheva (World Bank) pointed to the shift in the nature of international flows of development financing away from official towards private flows. This trend was likely to accelerate in light of further fiscal tightening in donor countries and the deepening integration of developing countries into global financial markets. Therefore, the World Bank's Treasury was focusing on designing and deploying innovative financial instruments that leveraged official flows to generate additional funds for development. The Bank's menu of choices offered to member countries for this purpose included flexible and local currency loans, contingent financing mechanisms, credit enhancement, hedging products, catastrophic risk management, client advisory services for asset and liability management and capital market access. The emphasis was on risk management to protect sovereign resources against future shocks and on immediately raising the needed resources for rapid response following such shocks.

57. The speaker highlighted the Bank's treasury role in raising funds for the International Finance Facility for Immunization (IFFm) through bond issues. She referred to the case of Malawi, where a drought insurance instrument was triggered by severe shortages of rainfall, in order to provide relief and funding for emergency procurement of food, as one example of such a leverage mechanism. This type of pro-active, ex-ante use of official resources resulted in manifold savings in terms of ex-post donor transfers that would have ensued in the absence of such schemes. For instance, the aforementioned weather derivative or a call option to help limit the price of maize imports, were associated with ex-ante premium payments of just 10 per cent of the overall payout. The speaker emphasized that such schemes could be expanded to other kinds of risks facing many developing countries and expressed the Bank's readiness to assist countries interested in these types of mechanisms.

58. Ms. Hahlen (European Commission) presented the EU progress report on achieving the 0.7 per cent of GNI aid target by 2015. She highlighted that, despite missing the intermediate goal set for 2010, EU Heads of State and Government had reaffirmed their 2015 commitment in June 2011. She further referred to a recent legislative proposal by the European Commission to allocate an amount of EUR 96

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billion (\$130 billion) to EU external assistance for the period 2014-2020, which would complement members' own cooperation programmes. The speaker also assured Member States that the EU was on track to reach the ODA targets for LDCs, as enshrined in the Istanbul Action Programme. In order to increase the impact of its development assistance, the EU had recently launched an Agenda for Change, proposing differentiated partnerships with a special focus on assisting the neediest countries, including those in fragile situations.

59. The speaker also underscored the importance the EU attached to aid effectiveness and transparency. In this context, she referred to the EU Transparency Guarantee, which obliged its member states to disclose all information on their aid programmes according to the standards of the International Aid Transparency Initiative. Moreover, the EU joint programming policy required multi-annual collaboration at the country level under the leadership of partner countries. She also highlighted the increasingly important role of innovative financing, particularly the need to mobilize predictable financing for sustainable development and climate change priorities, especially from non-governmental sources. The September 2011 European Commission proposal on a financial transaction tax in the 27 member countries was an important step in this direction. The EU was also working to extend its ODA grants more strategically to leverage official resources, grants and loans, to mobilize public and commercial investors. Efforts to set up a common EU platform for external cooperation and development, involving a wide range of relevant financial institutions in the field, would further enhance innovative financial tools to support, in particular, small and medium-sized enterprises and infrastructure financing.

60. Mr. Al Dardari (ESCWA) presented the result of a recent ESCWA macroeconomic modelling exercise aimed at forecasting the Arab region's economic performance up to the year 2025. The model would also link the output to sub-modules dealing with several developmental issues such as poverty, unemployment and malnutrition in the region. The speaker focused in particular on the issue of intra-regional financial flows, namely, the relocation of accumulated oil wealth and aid flows between oil exporters and oil importers. The main simulation presented involved a scenario of investing 10 per cent of the projected receipts of the oil exporters in the oil importing countries, with a 0.5 per cent increase in intra-regional aid. Such an oil revenue transfer resulted not only in a dramatic improvement of the economic performance of the recipient countries, but also in a higher rate of return for investors, compared to their expected return in international capital markets.

61. Based on these results, the presenter advocated an explicit policy of encouraging much closer regional integration among Arab countries as one of the most promising avenues to accelerate economic growth and sustainable development in the region. In light of the fact that an estimated \$150 billion liquidity surplus was sitting idly in the banks of the region, he predicted fast and substantial impact, in terms of structural transformations, employment generation and poverty reduction from improved financial intermediation among the regional countries. ODA and innovative financing approaches could promote such regional integration, and help realize immediate benefits of capital formation and poverty reduction in recipient countries.

## **Discussion**

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62. During the interactive discussion that followed, there was a broad agreement among delegates that commitments to ODA targets, including the ones for LDCs, should not be weakened in the current fragile economic environment. However, many speakers stressed that scarce official funding should be used more efficiently and could leverage additional resources from non-public sources.

63. It was noted that effective domestic resource mobilization was an essential requirement for sustained economic development, employment generation and poverty alleviation and for avoiding continuing aid dependency. Strengthening public finances, including through international tax cooperation, as well as expanding investment opportunities and bankable investment projects in developing countries through private public partnerships were also emphasized.

64. Many delegates insisted that innovative financing flows needed to be additional to ODA commitments. In this context, ensuring transparency of aid flows was key for assuring additionality. The best practices of the existing mechanisms should be scaled up, where possible, and new sources of innovative financing should be actively explored. Currently, the most promising and well-studied mechanism was the FTT, including the currency exchange tax. Many speakers called for concrete steps toward its implementation, possibly by a select group of like-minded countries in Europe. The activities of the Leading Group on Innovative Financing for Development were actively supported.

65. In addition, some participants mentioned taxing arms trade and wealth, micro-finance, and risk mitigation through private public partnerships in developing countries as innovative sources of finance. Others stressed that ODA and innovative approaches should be used to promote regional integration among Arab countries and countries of the Eurasian region. The Financing for Development Office of the Secretariat was encouraged to arrange more frequent interactions among practitioners of innovative financing within the United Nations.

## **VI. Informal interactive dialogue: the link between financing for development and achieving the internationally agreed development goals, including the Millennium Development Goals**

66. In her opening remarks, the Chairperson of the meeting, H.E. Ms. Enkhsetseg Ochir, Permanent Representative of Mongolia to the United Nations, stressed that achieving the MDGs required the strengthening of the global partnership for development, as embodied in MDG 8, the 2002 Monterrey Consensus, the 2002 Johannesburg Plan of Implementation and the 2005 World Summit Outcome. However, in terms of MDG 8, the international community fell short on three fronts. First, even as ODA had reached record levels in 2010, donor Governments intended to increase spending more slowly during 2011-2013. Second, the WTO had yet to conclude the Doha Development Round of multilateral trade negotiations. Third, although there had been major efforts to increase access to medicines and information and communication technologies, their costs remained prohibitive in many developing countries. At the same time, new challenges had emerged over the last decade, which required concerted global action, including the impact of the

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world financial and economic crisis, additional costs of climate change mitigation and adaptation and damage to the Earth's environment, new forms of economic cooperation, price volatility in international markets of key commodities and South-South cooperation.

### **Presentations by the panellists**

67. The informal interactive dialogue featured four presentations, by Cho Tae-yul, Ambassador for Development Cooperation, Ministry of Foreign Affairs and Trade, Republic of Korea; Eduardo Galvez, Deputy Permanent Representative of Chile to the United Nations; Olav Kjørven, Assistant Administrator and Director of the Bureau for Development Policy, UNDP; and Roberto Bissio, Coordinator, Social Watch.

68. Mr. Cho briefed participants on the outcome of the Fourth High-level Forum on Aid Effectiveness, held in Busan, Republic of Korea, from 29 November to 1 December 2011. According to the speaker, the Busan Forum had marked a new beginning in global development cooperation, taking into account a rapidly changing development landscape. Increasing involvement of new donors made the global aid architecture more complex. Moreover, development cooperation faced multiple challenges such as economic and financial crises, climate change, conflicts and natural disasters. Against this backdrop, Mr. Cho pointed out that the Busan meeting was held not only as an intergovernmental process but also as a multi-stakeholder forum. Delegates from over 160 countries, 70 international organizations and 300 civil society organizations and around 100 partners from the private sector participated.

69. Consequently, the Busan Forum had launched a new global partnership for effective development cooperation, which involved emerging economies, civil society and the private sector. This Partnership was rooted in common goals, shared principles and differential commitments collectively identified in this forum. The meeting had also broadened the focus from aid to development, recognizing the catalytic role of aid to leverage other development resources. The speaker stressed the need to give full consideration to the more comprehensive concept of development effectiveness. The Busan Forum had eventually ushered in a systematic cooperation among various global development fora, including the DCF.

70. Mr. Galvez pointed out that the MDGs and the 2002 Monterrey Consensus were crucial reference documents for the entire international community. The agreements and commitments achieved at the International Conference on Financing for Development in Monterrey were to be implemented in a continuous and gradual process. The Monterrey process was closely linked with MDG 8 on developing a global partnership for development. It was necessary to further strengthen this partnership, in particular with reference to developing an open, rule-based, predictable, non-discriminatory trading and financial system and addressing the special needs of LDCs, landlocked developing countries (LLDCs) and small-island developing States (SIDS). The Monterrey process was an instrument to achieve the internationally agreed development goals, including the MDGs, while at the same time going further than the MDGs in some areas. The speaker pointed out that the MDGs excluded some issues that were also relevant to development, such as inequalities between and within countries and the overall equity of the international economic and financial system.

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71. One crucial feature of the Monterrey Consensus was that it addressed structural and systemic aspects of the world economy. In particular, chapter 6 of the Monterrey Consensus aimed at enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. These systemic issues should also be taken into consideration when discussing a framework succeeding the MDGs after 2015. As one major systemic issue, Mr. Galvez emphasized that global economic governance was of fundamental importance at the multilateral level. There were serious gaps and deficiencies in the existing international framework for global economic governance for development. It was necessary to consider how the United Nations could be strengthened in order to stay relevant and respond to the evolving challenges of global governance. The speaker stressed that the United Nations had to play an important role in the global economic governance framework. The United Nations should not be reduced to providing development and humanitarian assistance.

72. Mr. Kjørven highlighted that there had been progress towards achieving the MDGs, despite some setbacks. Many developing countries had shown considerable crisis resilience. Nevertheless, a number of serious development challenges persisted, including the adverse impacts of the financial and economic crisis, the food crisis, and youth unemployment. With regard to the FfD process, the speaker expressed the opinion that there had been mixed progress. ODA remained significantly below the UN target. Innovative sources of financing for development had a promising potential, but remained of limited significance to date. Despite successes in debt relief, many countries had been excluded from relevant initiatives. Moreover, further enhancing financial inclusion was necessary in order to boost domestic resource mobilization.

73. Mr. Kjørven positively assessed the outcome of the High-level Forum in Busan. The outcome document had been approved by both developed and developing countries. A new development partnership was indeed necessary, which involved not only emerging markets, but also civil society in development cooperation efforts. Moreover, the speaker underscored the importance of aid transparency, quality and effectiveness, which were as important as the aid volume. Aid should be spent in a strategic way and leverage other development resources, for instance in the energy sector.

74. Mr. Bissio pointed out that the growth of world income and trade over the last two decades had not resulted in similar progress in social development. The speaker emphasized that while total world exports had multiplied almost five times in twenty years (from a total value of \$781 billion in 1990 to \$3.7 trillion in 2010) and the world average income had more than doubled in per capita terms (\$4,079 in 1990 to \$9,116 a year in 2010), the basic capabilities index calculated by Social Watch, which would track the world averages of essential social indicators, only grew by 10 per cent in twenty years. Consequently, economic growth did not ensure improvements in important areas such as poverty, health, nutrition and education. Inequalities were on the rise, not only between countries, but also between the rich and poor within individual countries.

75. Mr. Bissio stressed that mounting disparities were aggravated by the “financial paradox” of the international financial system: Some LDCs accumulated more money every year in their central bank reserves than what they received as ODA. That trend amounted to the situation when poorest of the world provided soft loans

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to the “new HIPC” – the “Highly Indebted Powerful Countries”. The resulting net transfer of financial resources from developing to developed countries posed a threat to the global public good of financial stability. Urgent measures were needed to address this situation and should include curbing speculation, breaking up large financial firms, enhancing banking supervision and taxing the financial sector. The speaker also called for strengthening the financing for development process through establishing an intergovernmental commission on financing for development.

### **Discussion**

76. During the discussion that followed, there was broad consensus that achieving the MDGs required the scaling up of action on the part of both developing and developed countries. Goal 8, on a global partnership for development, was based on the principles enshrined in the Monterrey Consensus and reaffirmed in the Doha Declaration on Financing for Development. Speakers emphasized that the global partnership provided the foundation for the achievement of all MDGs. Its implementation called for a concerted and sustained effort on the part of all relevant stakeholders, including Member States, international organizations, civil society and the business sector. In particular, the cooperation between the United Nations and the international financial institutions, including the Bretton Woods institutions, should be improved. The need to explore ways to strengthen the FfD follow-up process was emphasized in the interest of meeting the MDGs.

77. Many speakers noted that the recent world fuel, energy, financial and economic crises had led to lower incomes and higher unemployment in developing countries as a result of drops in external flows, lower export revenues and decreases in remittances. This threatened the hard-won and uneven gains made in the fields of poverty reduction, health and education. To counteract the negative impact of the crises, especially in countries with special financing needs, meeting the targets of MDG 8 was crucial. The international community should deliver on its ODA commitments, enhance aid effectiveness and reduce conditionalities. It was noted that the quality of statistics needed to be improved to make aid more effective, particularly for countries with special needs. Innovative sources of finance had shown their effectiveness in providing additional resources for the realization of the MDGs and should be promoted and explored further.

78. Several participants welcomed the fourth High-Level Forum on Aid Effectiveness, which had adopted the “Busan Partnership for Effective Development Cooperation”. However, some delegates stressed that the Busan outcome was not a United Nations document and must not distract from the implementation of existing ODA commitments. In this connection, the difference between the nature of South-South cooperation and traditional North-South cooperation was pointed out.

79. Several speakers emphasized that the international community needed to galvanize efforts to make progress on those goals, which fall far short of agreed targets, especially the reduction of maternal mortality, as well as the promotion of gender equality and environmental sustainability. They pointed out that mechanisms to lower pharmaceutical prices had the potential to advance health targets, while enhanced access to technology could provide powerful tools to deal with climate change and increase agricultural productivity. While the importance of focusing development aid on the MDGs was generally recognized, some speakers also highlighted the need to follow longer-term development policies that reached beyond the MDGs.

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80. Many participants called for fulfilling the development promise of the Doha Round of multilateral trade negotiations, increasing aid for trade to compensate for loss of tariff revenues and resisting protectionism, as well as extending measures to achieve the debt sustainability of developing countries. Some speakers also highlighted the importance of the private sector in achieving the MDGs and called for the creation of an enabling environment for business investment.

81. It was stated that good governance at all levels was crucial for the attainment of the MDGs. Domestically, developing countries should continue to implement national development strategies aimed at poverty reduction, job creation and sustained economic growth. In this regard, it was crucial to provide them sufficient policy space. At the international level, the recent world financial and economic crisis had highlighted the need for comprehensive reform towards a more equitable, coherent, participatory and development-oriented international financial architecture.

82. At the closing of the Dialogue, the Acting President of the General Assembly made concluding remarks. All materials of the meeting are available at <http://www.un.org/esa/ffd/HLD2011/index.htm>.