

## **ECOSOC Coordination Segment, Geneva, 11-14 July 2011**

### **Follow-up to the International Conference on Financing for Development (item 6 (a))**

#### **Panel discussion on “Global economic governance and development: Enhancing the coherence and consistency of the international monetary, financial and trading systems” 11 July 2011**

##### *Informal summary by the Secretariat*

1. The Economic and Social Council (ECOSOC) held a panel discussion on “Global economic governance and development: Enhancing the coherence and consistency of the international monetary, financial and trading systems” within its Coordination Segment in Geneva on 11 July 2011. The panel was chaired by H.E. Mr. Abulkalam Abdul Momen, Vice-President of ECOSOC and Permanent Representative of Bangladesh to the United Nations, New York.
2. The panel was moderated by Mr. Sha Zukang, USG for Economic and Social Affairs. It featured presentations by Mr. Petko Draganov, UNCTAD Deputy Secretary-General; Mr. Christian Masset, Director-General of Global Affairs, Development and Partnerships, Ministry of Foreign and European Affairs, France; and Mr. Andrew Cornford, Counsellor, Observatoire de la Finance, Geneva.
3. In his opening remarks, the chair, H.E. Mr. Abdul Momen, stressed the increasing importance of the topic of global economic governance. The General Assembly, in its resolution 65/94 on global economic governance, had recognized the need for an inclusive, transparent and effective multilateral system. It had also reaffirmed the central role of the United Nations within that system. H.E. Mr. Abdul Momen referred to the special high-level meeting of ECOSOC with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, held in New York on 10 and 11 March 2011, which included a thematic debate on the role of the UN system in global economic governance. That meeting had emphasized that the recent world financial and economic crisis had revealed structural flaws in the global economic governance system, including the need for greater coordination between the various international organizations. Owing to its inclusiveness and legitimacy, the UN was uniquely placed to discuss issues of global economic governance. However, it needed to enhance its responsiveness. Several speakers at the March meeting had called for efforts to strengthen existing mechanisms, in particular ECOSOC, while others had proposed new mechanisms, such as a constituency-based “Global economic coordination council” within the UN. The special high-level meeting had concluded that more coherence, effectiveness and consistency in global economic governance were needed. Moreover, the need for further progress on enhancing the voice and representation of developing countries, especially LDCs, in international economic decision-making and norm-setting had been reiterated. The response of the G-20 to the global crisis had been recognized by the special high-level meeting, but more linkages of the informal G-20 process to formal multilateral mechanisms needed to be forged. Eventually, regional cooperation was crucial to complement the global

governance order. A summary by the ECOSOC President of the special high-level meeting (A/66/75–E/2011/87) was available on the website of the Financing for Development Office ([www.un.org/esa/ffd](http://www.un.org/esa/ffd)).

4. In his remarks, the moderator, Mr. Sha, emphasized that the issue of global economic governance was currently at the centre of attention. The topic would also be discussed by the General Assembly during its 66<sup>th</sup> session in fall 2011. Mr. Sha focussed on the existing system of global economic governance and ways to improve it. The current system had been put in place more than 60 years ago. A number of issues needed to be addressed in order to enhance the effectiveness and consistency of global governance and its capacity to adequately respond to today's challenges, such as global economic imbalances, commodity price volatility and climate change. The UN as the only truly universal and inclusive multilateral forum had to play a stronger role in global economic governance. Proposals recommending a coordination and policy-making body within the UN deserved serious consideration. That body could either be a new entity or a strengthened version of an existing body like ECOSOC. Also the efficiency of the UN organization should be improved. While recognizing important steps taken, governance reforms should also be continued at the Bretton Woods institutions. Regional arrangements needed to be better incorporated into the global governance framework. Better linkages should be developed between the informal G-20 process and existing multilateral structures, based on comparative advantages. Moreover, in view of the Rio+20 process, governance for sustainable development was crucial.

5. Mr. Draganov pointed out that developing countries had made serious efforts to integrate into the world economy over the last 30 years. However, sustained and inclusive growth had not been achieved by many developing countries. The modalities of integration of developing countries into the world economy should therefore be examined. The governance regime should be enhanced to better respond to the specific problems of developing countries. In particular financial regulation, the exchange rate system, global economic imbalances, the international trading system, macroeconomic policy coordination and surveillance were issues that needed to be addressed. Developing countries remained vulnerable to exogenous shocks and a number of them might continue to face precarious growth prospects. Against this background, access to finance and technology, especially for LDCs, and aid effectiveness were critical issues. The UN had to evolve with the changing times, but should be at the centre of development-oriented discussions.

6. Mr. Masset stated that France attached high importance to the role of the United Nations in global governance. As current G-20 president, France had placed global governance on the G-20 agenda. Mr. Masset underscored the necessity of the G-20 dealing with the global crisis and its follow-up. However, there were a number of medium- and long-term issues that needed to be effectively addressed within the global economic governance system at large. These issues included the reform of the international monetary system, the volatility of commodity markets, the social dimension of development, the emergence of new economies, and food and agriculture security. Improving global economic governance would be a gradual process that required constructive dialogue between informal and formal mechanisms. The principles of effectiveness, inclusiveness, shared responsibility, representation and consistency should be followed in the reform process.

7. Mr. Cornford pointed to the magnitude of the agenda for international financial reform. Referring to the progress report of the Financial Stability Board (FSB) on the implementation of the G-20 recommendations for strengthening financial stability, issued in April 2011, Mr. Cornford highlighted some major lessons from the financial crisis. Financial contagion had been far-reaching during the crisis, and it was therefore key that systemic risks were tackled by financial regulation. It was also crucial for regulators to keep up with transactional and institutional innovation and to use reliable regulatory models. Moreover, the crisis had revealed weaknesses in financial risk management. The new regulatory standard of Basel III addressed some of these concerns. A key action area was also the regulation of systemically important financial institutions. More generally, questions needed to be faced concerning the desirability of increased global financial integration. The role for appropriate UN bodies would be to monitor the policy responses to these crisis lessons.

8. In the ensuing discussion, delegates pointed out that global economic governance was particularly relevant for developing countries. Delegates widely recognized the need to reform the existing governance system and called for an inclusive and transparent framework. The UN due to its legitimacy should play a core role in global economic governance. Governance reforms at the Bretton Woods institution needed to be continued to further enhance voice and participation of developing countries. An important element in reforming global governance was to better define the relationship between informal and formal mechanisms and to strengthen coordination and coherence across all institutions involved in global governance. A strengthened ECOSOC was considered well-placed by some speakers to act as a hub for such policy coordination. ECOSOC, however, needed to enhance its responsiveness and effectiveness. It was also suggested to intensify interactions between all multilateral actors, including regional arrangements. Some delegates expressed the view that an improved global economic governance framework should be based on existing structures rather than on newly established. Beyond institutional issues, delegates stressed the need to further reforms of the international economic and financial system.

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