Report provides assessment of the implementation of agreements reached at the 2002 International Conference on Financing for Development

This year’s report paints a mixed picture: considerable advances in some areas and modest progress, stagnation or retrogression in others. Since the adoption of the Monterrey Consensus, macroeconomic and fiscal management in the majority of developing countries has improved notably. Yet, despite rising social expenditures per capita, poverty is still on the increase in many countries and wealth distribution indices leave much to be desired.

The flow of private resources to developing countries has grown substantially. However, a dozen or so developing countries still absorb 70 per cent of such flows. The Secretary-General warns that a disorderly correction in major world economic imbalances or a sudden drop in international liquidity could lead to an abrupt stop or even reversal of such flows.

The legitimacy and effectiveness of international structures and policy approaches that still have the mark of the period immediately after the Second World War are questioned. The 2005 World Summit Outcome provides critical guidelines for action at this juncture, in particular the preparations for the 2008 Follow-up Conference on Financing for Development.

An advance unedited version of the report is available on the FfD website.
UN Secretary-General suggests measures to reform international financial architecture

In his report on the “International System and Development” (A/62/119), the Secretary-General puts forward recommendations on how to strengthen international institutions concerned with expanding the flow and stability of development financing.

According to the Secretary-General, governance reforms and improved multilateral surveillance should be seen as a first step towards the development of a broader-based consultation process. There is a need for a stronger multilateral institutional mechanism of surveillance and policy coordination. Multilateral surveillance should remain at the centre of crisis prevention efforts. If the proposed reform of the IMF surveillance process is to be effective, all new surveillance mechanisms should enhance focus, symmetry, objectivity, equity and even-handedness.

With regard to the deepening of intraregional trade and investment flows, the Secretary-General notes that several platforms for regional economic cooperation have emerged. More active use by countries of regional funds and mechanisms for surveillance and policy consultations would increase the supply of regionally suited policies and should constructively complement the role of the IMF.

The Secretary-General further recommends that in order to re-establish its relevance to emerging market economies, the Fund has to have adequate tools for crisis prevention. These instruments and mechanisms must be predictable, flexible, affordable and substantial relative to the magnitude of capital account volatility.

The Fund’s increasingly important role in low-income countries through surveillance, technical assistance and concessional lending should be matched by an increased capability on its part to undertake these activities. Given the complexity of the multidisciplinary policy design and implementation in low-income countries, it is essential to have a clear division of responsibilities and closer cooperation with other institutions dealing with this group of countries.

Finally, the effectiveness of multilateral cooperation depends on an adequate voice for, and participation of, all countries. Comprehensive governance reforms aimed at solving the problem of under-representation of developing countries in global financial institutions would be indispensable at this time.

Contact Information:

FFDO:  
DC2-2276  
New York, NY 10017  
Tel: 212.963.3664  
Fax: 917.367.5869  
www.un.org/esa/ffd  
Email: ffdoffice@un.org  
Editor-in-Chief: Alex Trepelkov  
Staff: Daniel Platz, Liliana Urumbro

NGLS-NY:  
DC1-1106  
New York, NY 10017  
212.963.3125  
212.963.8712  
www.un-ngls.org  
Email: ngls@un.org  
Project Coordinator: Elisa Peter  
Staff: Zak Bleicher, Tomas Gonzalez

NGLS-Geneva:  
Palais des Nations  
Geneva 10, Suisse  
41.22.917.2076  
41.22.917.0432