

Special High-level Meeting of ECOSOC with the BWIs, WTO and UNCTAD

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In this Issue

Overview	1
Theme 1: World economic situation and prospects in the wake of the world financial and economic crisis	2
Theme 2: Financing for sustainable development, including leveraging of private capital, in the context of the follow-up to the outcome of the Rio+20 Conference	3
Theme 3: Global partnership for development in the context of post-2015 development agenda	5

Special High-level meeting of ECOSOC with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

The Economic and Social Council will hold its Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development on 22 April 2013 at United Nations Headquarters, New York. The overall theme of the meeting will be “Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda”. Following a short opening plenary featuring an opening address by the UN Secretary-General, a High-level Panel of Ministers will be held on the theme:

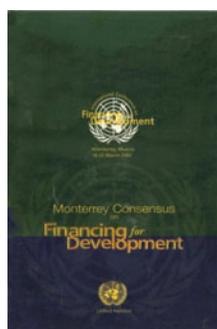
1. *“World economic situation and prospects in the wake of the world financial and economic crisis”*

The morning session will conclude with statements by the heads of relevant intergovernmental bodies and other senior official of the institutional stakeholders of the meeting.

The afternoon session will feature two informal thematic debates on the following themes:

2. *“Financing for sustainable development, including leveraging of private capital, in the context of the follow-up to the outcome of the Rio+20 Conference”;*
3. *“Global partnership for development in the context of the post-2015 development agenda”.*

The thematic debates on the above topics will be held consecutively in an informal plenary setting of the whole, in order to facilitate greater engagement of all participants and to promote an open exchange of views and experiences among all stakeholders, including civil society and the business sector. At the closing of the meeting, the President of ECOSOC will make concluding remarks highlighting key points and common messages. The full summary by the President of the Council will be issued as an official document of the General Assembly and ECOSOC at a later date.



In his note on “Coherence, coordination and cooperation in the context of Financing for Development”, which serves as the official input to the meeting, the Secretary-General provides background information and suggested points for reflection in order to inform discussion on the following selected themes.

Theme 1: World economic situation and prospects in the wake of the world financial and economic crisis

The note emphasizes that five years after the eruption of the global financial crisis, the world economy is still struggling to recover. Weaknesses in the major developed economies remain at the root of the slow global recovery. Many developed countries continue to experience sovereign debt problems, banking fragility, and pressures for fiscal tightening, which are impeding their economic recovery. A number of emerging economies, such as Brazil, China and India, which managed to recover rapidly in the aftermath of the global financial crisis, experienced a significant slowdown in 2012.

At the same time, the global jobs crisis has continued unabated. In many developing countries, the share of working poor and those with vulnerable jobs remain high, with high youth unemployment and gender disparities in employment. The global slowdown also implies a slower pace of poverty reduction and a narrowing of fiscal space for investments in education, health, basic sanitation and other areas that are critical for achieving the Millennium Development Goals (MDGs). This holds in particular for the least developed countries (LDCs), which remain highly vulnerable to commodity price shocks and face reduced access to external financing.

Other challenges persist in the areas of world trade, sovereign debt, global imbalances and volatile capital flows. Growth of world trade moderated sharply for the second year in a row. One emerging issue is that unchecked growth of intra-firm trade might be environmentally suboptimal. Global imbalances, characterized by large savings surpluses in some economies and deficits in others, narrowed markedly in the aftermath of the global financial crisis. However, the rebalancing has hardly been a benign process, having resulted mainly from a weakening in the external demand from the deficit countries, rather than an increase in the external demand from the surplus countries.

The sovereign debt crisis and economic recession in the euro area, continued financial deleveraging, and mon-

etary policy stances in developed countries have added to uncertainty and volatile market conditions. Weakness in developed economies and extremely high global liquidity brought on by exceptional monetary policy measures has depressed yields in some developed countries to close to zero. Consequently, a search for higher yields has led to an increase in volatile short-term investments in emerging market and developing countries with higher interest rates.

Nonetheless, measurable improvement has been witnessed in world financial markets since late 2012. Equity prices in many countries have moved notably higher, with the exception of some emerging markets. There have also been improvements in debt markets. Bond yields for the European countries under debt distress have fallen and bank lending in the United States continued to rise. Moreover, a number of banks in Europe decided to pre-pay the long-term loans they had borrowed from the European Central Bank (ECB). Prior to the eruption of the crisis in Cyprus, various measures of volatility in financial markets had also subsided.

Highlighting the prospects across major economies and regions, the note mentions that among developed economies, the economy of the United States continues to struggle in the aftermath of the sub-prime mortgage crisis of 2007-08. Japan's economy experienced strong growth in the first quarter of 2012, but then fell back into recession in the second half of the year, with deflationary conditions prevailing. It is expected to climb out of the recession in 2013, but growth will likely remain weak in 2013-2014.

In the euro area, the sovereign debt crisis and attendant fiscal austerity programs remain the dominant forces depressing growth. A number of new policy initiatives have been taken by the euro area authorities in 2012, including the Outright Monetary Transactions (OMT) programme and steps towards greater fiscal integration and coordinated financial supervision and regulation.

In the new European Union (EU) member states, the ongoing troubles in the euro area led to a slowdown in growth and a deterioration of the region's economic prospects.

Among economies in transition, in the Commonwealth of Independent States (CIS) economic performance has weakened in most countries, including the largest economy, the Russian Federation, which continues to have a major influence on other countries in the region.

Among developing countries, key factors underpinning Africa's strong growth prospects include solid

growth in oil-exporting countries supported by increased oil production and continued high prices, as well as increased fiscal expenditure, especially on infrastructure. Despite the positive growth picture, the employment situation remains a major problem across the region, both in terms of the level of employment and the quality of jobs that are generated. In addition, aid flows to Africa are expected to stabilize or even decline in 2013 and 2014 due to the global economic slowdown and fiscal difficulties in many donor countries.

In East Asia, sluggish demand from developed economies and a sharper-than-expected slowdown in China weighed on economic activity in 2012. In contrast, solid growth was experienced by Indonesia, Malaysia, the Philippines and Thailand, where robust domestic consumption and investment demand largely offset lower net exports. In South Asia, economic growth slowed in 2012. Persistent high inflation, political uncertainties, and transport and energy constraints weighed on both household consumption and business investment. Exports were negatively affected by the slowdown in key international markets.

In Western Asia, economic performance diverged across countries. Most oil-exporting countries experienced robust though decelerating growth, supported by record-high oil revenues and government spending. By contrast, economic activity weakened sharply in oil-importing countries, burdened by higher import bills, declining external demand and shrinking policy space. In Latin America and the Caribbean, economic conditions deteriorated in 2012 as the region saw a slowdown in exports and some countries, such as Argentina and Brazil, faced domestic problems in promoting growth.

Finally, the note highlights major downside risks and the need for greater policy coordination at both national and international levels to mitigate the major risks defined above. For instance, in the euro area, the piecemeal approach to dealing with the debt crises of individual countries of the past two years should be replaced by a more comprehensive and integrated approach that tackles the deep-set systemic crisis within the monetary union. Similarly, in the United States, it is important that policymakers overcome political gridlock and prevent a sudden and severe fiscal contraction. It is also important that the major developing countries, which face a risk of an economic hard landing, engage

in stronger countercyclical policy stances aligned with medium-term measures to address structural problems. In particular, fiscal policy across the world should become more countercyclical, more supportive of jobs creation and more equitable.

Questions for discussion:

- What are the economic benefits and risks associated with the unconventional monetary policies recently undertaken in the United States, the European Union and Japan?
- What have been the major effects of those policies on developing countries and economies in transition? Which policy measures at the national, regional and global levels would be most effective in limiting potential negative spillover effects of those policies?
- How can large emerging economies, including Brazil, China, India, Russia and South Africa, help promote a return to stronger and more robust regional and global growth?
- Which policy measures are most effective in tackling the jobs crisis in both developed and developing countries?

Theme 2: Financing for sustainable development, including leveraging of private capital, in the context of the follow-up to the outcome of the Rio+20 Conference

Under theme 2, the note emphasizes the need for a comprehensive strategy of financing for sustainable development. Such a strategy should support inclusive economic development that is environmentally, economically, and socially sustainable. Given the size of financing needs for sustainable development, it is clear that official sources of financing will not be sufficient. Even if all concerned donor governments were to meet the target of 0.7 per cent of GNI in ODA, which would provide \$300 billion a year, and the Copenhagen Accord, which commits to the provision of \$100 billion a year in climate finance by 2020, and even if these amounts were supplemented by new and innovative sources of financing, there would still be a significant financing shortfall.

Yet, although estimates of the financing needs are extremely large, they represent only a relatively small portion of total global assets. In 2011, global financial assets stood at \$218 trillion. Even in light of turbulent markets

following the world financial and economic crisis and deleveraging across the developed world, global financial assets have grown by 10 per cent overall since the end of 2007 (i.e. by almost \$4 trillion annually). This implies that the financial system has the resources to finance sustainable development needs, but is not allocating these resources effectively to where they are needed most. Although reallocating the pool of global financial assets would prove challenging, redirecting a small percentage, say 3 to 5 per cent, of this investment toward sustainable development would have an enormous impact.

An effective strategy of financing for sustainable development will also need to promote financial stability, as investors are unlikely to make the long-term investments necessary for sustainable development when there is risk of significant volatility. Furthermore, sustainable financial practices and long-term investments contribute to the stability of the financial system, so that stability and sustainability are mutually-reinforcing. In addition, without a stable financial system, the post-2015 development agenda risks being derailed by a sudden regional or global financial crisis.

Financing for sustainable development requires investments in a wide range of sectors, including energy, transport and telecommunication, as well as housing, health and education, in both developed and developing countries. The strategy will also need to finance the global commons (e.g., atmosphere, oceans, biodiversity and forests) that are critical for sustainable development, as well as climate financing. In addition, it is important to look at synergies and trade-offs of investment across sectors and clusters (e.g., water, agriculture, energy, and land use).

Financing gaps are especially large in economic areas that the private sector has not found attractive on a risk-reward basis, compared to other investment opportunities. In particular, there is insufficient financing in at least four critical areas for sustainable development: (i) long-term investments, including infrastructure; (ii) riskier investments, including low-carbon, innovation, and the financing of small and medium sized enterprises; (iii) financing of the global commons and other areas of international cooperation; and (iv) additional financing of social needs.

There is an ever increasing need for long-term financing, especially for infrastructure. The 2008-2009 financial crisis further shortened the investment horizon of many investors. In particular, there is insufficient financing for low-carbon infrastructure projects, due to higher risks and lower expected returns over the life of

the projects. Similarly, there is insufficient financing for innovation and emerging technologies, which carry high risks that are often difficult to measure and price. New technologies generally have high operating expenses and are often less reliable in the early stages of development. Credit for small and medium enterprises (SMEs), which in many countries are main drivers of innovation, employment and growth, also remains constrained in many countries. Frequently, SMEs are too large for the traditional moneylenders and microcredit agencies but considered to be too risky by the banking sector.

There is also insufficient financing for maintenance of the global commons and other areas of international cooperation crucial for sustainable development. In addition to financing needed for climate change mitigation and adaptation, there are significant financing needs related to cross-border health risks associated with globalization, in particular the fight against the HIV/AIDS pandemic, apart from domestic health and social needs.

Consequently, the note highlights that financing for sustainable development will need to utilize all available forms of financing, including public and private and cross-border and domestic sources of finance. A fundamental challenge will be to ensure complementarities across these different sources of finance, as each type of financing has unique investment objectives, fiduciary responsibilities, and associated incentives. Consultations on the post-2015 development agenda should be geared towards a better understanding of these inter-linkages in order to design policies that can effectively leverage private financing with public resources.

Attracting private sector investment is a crucial part of any sustainable development financing strategy. Policy initiatives that help incentivize long-term investment in low-carbon innovation, technologies, and infrastructure include: (i) pricing mechanisms, such as cap and trade or carbon taxes; (ii) quantity targets through regulations; (iii) lowering the cost and/or risk, through subsidies, feed-in-tariffs, credit enhancements, guarantees, insurance or public-private partnerships (PPPs). PPPs, guarantees, and insurance have become increasingly looked to as a mechanism to leverage official resources with private finance through risk-sharing between the public and private sectors.

Development of a sound and broad-based financial sector in developing countries is essential for the effective mobilization and channelling of domestic resources to productive activities in these countries. There are indications of enhanced domestic financial intermedia-

tion in many developing countries. Domestic credit to the private sector in low- and middle-income countries increased from 55 per cent of GDP in 2003 to 75 per cent in 2011, albeit with considerable differences across developing regions. Nonetheless, in many developing countries, challenges in financial sector reform remain, including the importance of channelling resources to the key areas for long-term and sustainable development, including investment infrastructure, innovation, and SMEs.

Domestic resource mobilization efforts must be complemented by an enabling international environment. Consequently, it is a source of disappointment for many developing countries that, in 2011, total ODA flows, net of debt cancellation, fell in real terms for the first time since 1997, owing to greater fiscal austerity and sovereign debt problems in developed countries. ODA will remain crucial, and all countries should work towards a timely implementation of their commitments. Regional and multilateral development banks can also play a catalytic role in mobilizing long-term investment financing. Moreover, they can fulfil an important countercyclical role that can help reduce volatility associated with financial markets.

Innovative mechanisms, such as financial transactions taxes, carbon taxes and similar mechanisms, can potentially be used to raise additional substantial new sources of public financing, which should be accounted for as additional to traditional ODA. However, realizing the potential of these mechanisms on a large scale will require international agreement and corresponding political will, both to tap sources, as well as to ensure allocation of revenues for sustainable development without compromising existing commitments. Innovative mechanisms could be particularly important for financing goals of international cooperation, including financing the global commons and climate financing.

Questions for discussion:

- Given the enormous financing needs associated with sustainable development, how can the large pool of existing assets be mobilized more effectively for social, economic and environmental purposes?
- How can public resources, including ODA, leverage private sector investments for sustainable development? What role should insurance and guarantees play?

- How can the international community promote a more stable international financial system that encourages the long-term investment needed to promote sustainable development?
- What steps are necessary to ensure that innovative sources of financing and climate financing are additional to traditional ODA, and do not reduce incentives to meet the United Nations ODA target of 0.7 per cent?
- What are the implications of a post-2015 development agenda, which has a dual focus on poverty eradication and sustainable development for the relationship between traditional development cooperation and climate financing?

Theme 3: Global partnership for development in the context of post-2015 development agenda

The note highlights that a renewed global partnership for development in the context of post-2015 development agenda should build on the strengths of the current global partnership for development, while going beyond its present framework to embrace the changing development landscape and enable transformative change.

Since 2000, the MDG framework has helped galvanize international efforts towards the implementation of internationally agreed development goals. The implementation of the MDGs, and particularly MDG 8 on global partnerships for development, gained additional momentum with the outcome of the International Conference on Financing for Development, held in Monterrey, Mexico, in March 2002, which engendered immediate gains for financing the MDGs, particularly with regard to ODA.

In this context, the Monterrey Conference marked the beginning of a new international approach to dealing with issues of development finance, which brought together all relevant stakeholders in a manner that was unprecedented in inclusiveness. Under the umbrella of the United Nations, all parties involved in the financing for development process contributed to creating a policy framework, the Monterrey Consensus, to guide their respective efforts to deal with issues of financing development, in a comprehensive manner, at the national, regional, international and systemic levels.

This framework was endorsed and expanded in the 2008 Doha Declaration on Financing for Development

to include new challenges and emerging issues, such as the impact of the financial crisis, additional costs of climate change mitigation and adaptation and damage to the environment and expanding economic cooperation. These emerging issues remain important challenges for global development, which should serve as a basis for the renewed global partnership underpinning the post- 2015 development agenda.

Despite the momentum generated through the financing for development process, progress on implementation of MDG 8 has been mixed. There are important issues associated with the global partnership for development that need to be addressed to ensure the successful implementation of a post-2015 development agenda. Although ODA increased significantly from 2002, in the follow-up to Monterrey, it fell nearly by 3 per cent in 2011 from its peak in 2010 following the world financial and economic crisis. In trade, after 11 years of negotiations, the Doha Round remains at an impasse. Concluding the Doha Round is crucial to addressing structural imbalances in the global trade regime, since those flaws place a particularly hard burden on LDCs.

The Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief (MDRI) Initiatives provided debt relief to a number of low-income countries and freed up important resources for the attainment of the MDGs. However, these international initiatives dealt with specific cases of debt relief, rather than setting up a framework for resolving debt distress. The global partnership should foster a dialogue on debt sustainability and on how to effectively deal with sovereign debt defaults and distress in a timely, equitable and less costly manner. There remains a need for greater access to affordable essential medicines to accelerate the progress being made on the achievement of the health-related MDGs. While access to new technologies continues to expand globally, there is still a need to pick up the pace of efforts to increase access to and the affordability of the global internet, in cooperation with the private sector. Technology transfer and access to green technologies and technologies for climate change mitigation and adaptation, disaster risk reduction and resilience are needed.

The note emphasizes that despite the virtues of the MDG 8 framework in galvanizing efforts towards a more effective global partnership for development, there are several shortcomings that need to be addressed in the post-2015 development agenda. MDG 8 is conceptually different from the other MDGs. While goals 1-7 are people-centred, MDG 8 is best understood as

an enabler to achieve the other goals. Indeed goals 1-7 all require global partnerships for implementation, be it in the form of technology transfers to promote climate friendly policies, debt relief to free up resources for social spending, or ODA for health interventions or leveraging resources of the private sector. In a renewed global partnership, the relationship of the partnership to other goals may need to be rethought.

Furthermore, MDG 8 does not specify quantified targets or dates, which makes it difficult to monitor. Finally, MDG 8 does not fully reflect the balanced compact among Member States of the United Nations on actions to address the challenges of financing for development that has been embodied in the Monterrey Consensus. Building on MDG 8, the Monterrey Consensus and the Doha Declaration highlighted the potential for global partnerships in other important areas such as domestic resource mobilization and international tax cooperation, foreign direct investment (FDI), and innovative sources of development finance. Moreover, they recognized the centrality of addressing systemic issues to ensure coherence and consistency across the international, monetary, financial and trading systems in support of development.

Within the last 10-15 years, the global economic and environmental landscape has changed dramatically. Climate change has become a central issue on the international agenda, as have other environmental concerns relating to the maintenance of the global commons. The world financial and economic crisis has also brought to the fore a range of concerns, including those pertaining to unemployment, inequality, and the importance of a stable international financial system. It has, furthermore, been accompanied by additional crises relating to food and energy security.

The last decade has also witnessed the emergence of important actors in the global arena. Most importantly, the increased economic importance of emerging economies has spurred South-South and regional cooperation and encouraged the formation of new informal bodies like the G20. In addition, non-state actors, especially the private sector and civil society, are also playing an increasingly important role in development-related activities. Given these trends, it is imperative that the post-2015 development framework be anchored in a more inclusive, flexible and coherent system for global economic governance.

A renewed global partnership for development should address the existing shortcomings of MDG 8

and incorporate the new challenges outlined above. In particular, it is necessary to have greater accountability, cooperation and effective and coherent policy-making among Member States with regard to the framing, monitoring and implementation of the global partnership for development. The international community therefore needs to strengthen the institutional framework for collective decision-making at the international level, through reforming the existing system of global economic governance.

As a starting point, measures need to be set in place to enhance the accountability, effectiveness, coherence of the UN system at the intergovernmental, institutional and operational levels. There is a need to put in place a more robust monitoring and accountability mechanism to monitor progress in the implementation and fulfilment of commitments made by Member States in UN conferences, particularly through ECOSOC. Such mechanisms must heed due attention to cross-cutting and emerging challenges (such as, for example, climate change, migration and food and energy security, and financial market instability).

In addition, an effective system of global economic governance would also enhance the global partnership for development through ensuring the participation of all relevant global actors in international policy making and dialogue. For instance, the G20 should further strengthen its relationships with international institutions, such as the United Nations, non-members and other relevant stakeholders. Furthermore, it is important to broaden and strengthen the involvement of developing countries in international economic decision-making and norm-setting and also make efforts to enhance engagement and partnerships with relevant non-state actors, like the private sector and civil society, in activi-

ties and dialogue pertaining to development. These actions would go some way towards ensuring that the post-MDG 8 framework is anchored in a more inclusive, flexible and coherent system for global economic governance.

Questions for discussion:

- What are the lessons learned from the current global partnership: successes to encourage and failures to avoid? Which are the most pressing new challenges and emerging issues that the global partnership for development needs to address? How should these be incorporated into the post-MDG 8 framework?
- In light of the new challenges and the changing development landscape, should a renewed global partnership for development build on the existing global partnership for development, or do we need a more fundamental re-think?
- What key principles are needed to create new, or strengthen the existing, global partnerships that foster sustainable and inclusive growth and development at national, regional and international levels? How can a global partnership for development be best streamlined into the post-2015 development agenda? Should it be captured in a separate goal or linked to specific goals and targets?
- How do we achieve global economic governance, including more robust accountability mechanisms, that would help enhance the effectiveness of a renewed global partnership for development?
- What should be the role of ECOSOC in promoting a renewed global partnership for development in the context of the follow-up to the MDGs and the elaboration of the post-2015 development agenda? ■

For further Information

Please refer to the Financing for Development Web site at www.un.org/esa/ffd/ecosoc/springmeetings/2013/index.htm.