

**Fifth High-Level Dialogue on Financing for Development
(New York, 7-8 December 2011)**

Concluding Remarks by the Acting President of the General Assembly

Excellencies,
Distinguished Delegates,

We have concluded the fifth High-level Dialogue of the General Assembly on Financing for Development. I would like to express my appreciation to all delegations who have participated. Your constructive interventions have contributed to the successful outcome of this meeting.

I am also pleased with the active participation and contributions of the institutional stakeholders, civil society and the private sector, who engaged in a truly interactive dialogue, in the spirit of the Monterrey Consensus and Doha Declaration on Financing for Development.

I am grateful to the Deputy Secretary-General of the United Nations and to the President of the Economic and Social Council for their forthright and instrumental opening statements calling on all development partners to deliver on their aid commitments at the present time of crisis and uncertainty in the world economy. We need to uphold the foundations of the global partnership for development set out in the Monterrey Consensus and Doha Declaration.

Our deliberations should be seen as an important step towards renewing and improving this global partnership when we begin to consider the post-2015 development framework. In the more immediate future, the wealth of ideas, initiatives and recommendations you have put forward during these two days will serve as important substantive input into the preparations for the UN Conference on Sustainable Development (Rio+20).

Excellencies,

A full summary of the Dialogue will be presented to you at a later date. At this time, allow me to briefly highlight the main points emerging from our discussions during the last two days.

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 growth. A projected downturn in the global economy can 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 pose additional

challenges requiring renewed and adequate policy response, especially in support of the Least Developed Countries (LDCs), as called for in the Istanbul Programme of Action. Several speakers mentioned the danger of spill over effects from the euro zone debt crisis on developing countries as an additional source of risk to their economies.

- Despite 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 the Doha Declaration on Financing for Development. In particular, donors need to make good on their promises to deliver on their Official Development Assistance (ODA) commitments, while tightening their budgets.
- 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. A lot of donor technical assistance has been directed towards increasing developing countries' capacity in these areas.
- Many speakers emphasized the potential of innovative mechanisms of financing for development in providing resources that are stable, predictable and complementary to ODA. Proposals were made to explore new forms of innovative financing such as financial transactions tax and small levy on currency exchanges. South-South cooperation was seen as an effective way to provide important sources for development finance. It was proposed to create a Task Force on South-South and triangular cooperation within the Leading Group on Innovative Financing for Development.
- 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. A proposal was made to break the Doha round agenda into manageable parts in order to agree on such issues as "early harvest" on duty-free and quota-free market access for all LDC products.
- Some speakers expressed concern about debt distress and debt sustainability of developing countries, especially in view of possible adverse effect of spill over from the euro zone debt crisis. It was proposed to hold comprehensive discussions, including within the United Nations, of debt sustainability frameworks, including on new debt restructuring mechanisms. Some participants also called for cancellation of all LDC debt and expanding the scope of the Highly-Indebted Poor Countries (HIPC) initiative to include more African countries.
- According to several speakers, a new global partnership for development needs to be forged, including the reform of the international financial architecture and global economic governance. Macroeconomic policy coordination was seen as essential for balanced global growth. There were calls for enhanced coherence across the UN system and further governance reform of Bretton Woods institutions (BWIs).
- Many speakers reaffirmed the relevance of the Financing for Development (FfD) agenda in a post-2015 development framework. The FfD process must continue to promote mutual accountability, national ownership, inclusive partnerships and focus on development results. Several speakers highlighted the recent decision of the General Assembly to consider

the need to hold a follow-up conference 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. A proposal to create a UN Commission on Financing for Development was also recalled in this context.

Round table 1 focused on *“The reform of the international monetary and financial system and its implications for development”*.

- Many speakers underscored the importance of reforming the international monetary and financial system in support of development. A key area has been strengthening financial regulation. In that process, concerns of developing countries should be adequately taken into account.
- It is also necessary to further enhance surveillance of the financial sector and systemically important economies, including their impact on other countries. IMF surveillance needs to gain traction and better integrate bilateral and multilateral surveillance.
- Many speakers emphasized the need to strengthen economic policy coordination. The importance of making the roles of the United Nations, IMF, G-20 and other multilateral stakeholders mutually complementary was stressed. It is crucial to strengthen institutions of global economic governance to ensure they are inclusive and responsive. There were also calls to strengthen institutional arrangements for international tax cooperation.
- It was noted that the issue of managing volatile and potentially destabilizing capital flows needed to be addressed. It is necessary to develop international guidance on how to better manage such flows.
- In view of sovereign debt and banking risks in the advanced economies, some speakers pointed out that the world needed an international mechanism for sovereign debt work-outs. Such mechanisms exist at the national level and are indispensable for debt resolution. Some speakers pointed to the risks of premature fiscal consolidation in response to high public debt.
- According to a number of speakers, the global financial safety net should be further enhanced. Recent improvements in the IMF lending framework were recognized. Some speakers advocated for stronger regional financial cooperation, for example in Africa.
- Several speakers underscored the importance of reforming the international monetary system. In this regard, it was suggested that the role of Special Drawing Rights (SDRs) should be increased in a longer-term process. Persisting exchange rate volatilities between major currencies also pose serious challenges.
- A number of participants stressed that the recent measures on governance reform of the Bretton Woods institutions were an important step forward. There were calls for further improvements in their governance structures to enhance the voice and participation of developing countries.

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

- It was noted that countries have seen an uneven and fragile recovery in trade and capital inflows in the aftermath of the world financial and economic crisis. While several speakers highlighted the potential of foreign direct investment (FDI) to provide opportunities for capital, job creation and technology, they also underscored that the volatile nature of short-term portfolio flows called for adequate policy measures to mitigate their adverse effects on aggregate domestic demand and economic growth.
- 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.
- Many 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 especially vulnerable to the effects of the crisis through reduced FDI and remittances, volatile commodity prices, the reduction in projected ODA and debt sustainability issues.
- Some participants stressed the important development contribution of South-South cooperation in promoting FDI and trade flows. It was pointed out that South-South investment and trade flows are likely to grow in significance in the future, in line with faster growth rates in some leading developing economies.
- In connection with the current sovereign debt crises in some developed economies, several participants highlighted the importance of sensitive crisis management and 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.

Round table 3 discussed “**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**”.

- There was a general view that commitment to reaching the UN targets on ODA, including the ones for LDCs, should not be weakened in the current economic environment characterized by fiscal tightening in donor countries. However, scarce official resources should be used to support the neediest countries and leverage more resources with available ones.
- Domestic resource mobilization is the key to avoid aid dependency, including through strengthening tax systems and combating illicit outflows. In resource rich countries, taxation of natural resources at higher level, as Norway’s 50 per cent surcharge on top of the regular 28 per cent corporate tax, was recommended.

- Additional sources of revenue can be raised through innovative financing mechanisms such as market mechanisms, guarantees, taxes on global transactions, voluntary contributions, and debt management. Innovative financing flows can be additional to ODA commitments and transparency is important to assure additionality. It was argued that the most promising and well-studied option was financial transactions tax (FTT), including the currency exchange tax, which can be implemented by a selected group of like-minded countries in Europe.
- In addition, taxing arms trade and wealth, micro and inclusive finance, ODA and PPP use for risk mitigation in developing countries were proposed as alternative sources of development financing. The Financing for Development Office was requested to arrange more frequent interaction with practitioners of innovative financing.
- ODA and innovative approaches can be used to promote regional integration among oil exporting and oil importing Arab countries or the countries of the Eurasian region, which would result in higher rate of return than investments in international capital markets for investors, with additional benefits of poverty reduction and capital formation in recipient countries.

Informal interactive dialogue had the theme: *“The link between financing for development and achieving the internationally agreed development goals, including the Millennium Development Goals”*.

- Several speakers referred to a mixed track record on the achievement of the MDGs thus far and reaffirmed their commitments to meet the MDGs by 2015. Some underscored that, frequently, economic growth and greater per capita income have failed to deliver similar improvements in social indicators.
- Many participants underscored the political and substantive links between the Financing for Development process and the MDGs, especially Goal 8. There were calls for urgent action on all Monterrey and Doha provisions, including a sustained increase in ODA, the conclusion of the Doha Round of multilateral trade negotiations, efforts towards debt sustainability, effective domestic resource mobilization and more stable private flows in support of development.
- Several participants welcomed the fourth High-Level Forum on Aid Effectiveness, which adopted the “Busan Partnership for Effective Development Cooperation”. However, some delegates stressed that the Busan outcome is not a United Nations document and must not distract from the implementation of existing ODA commitments. In this connection, it was important to note the difference between the nature of South-South cooperation and traditional North-South cooperation.
- Some speakers highlighted new challenges that have emerged since Monterrey, such as the world financial and economic crisis, food and energy crises and climate change. These global challenges require more inclusive, transparent and effective multilateral approaches to managing global responses.
- There were calls for reform of the international financial system, including through policy measures for more transparent and regulated derivatives trading, the separation of

traditional banking from investment banking, the revision of Basel regulations to allow for strict supervision of banking activities by governments and the introduction of a financial transactions tax.

- Some speakers welcomed the recent decision by the General Assembly to initiate informal consultations on the need for a follow-up conference on FfD by 2013. There were calls for a strengthened and more effective intergovernmental FfD follow-up mechanism.

Excellencies,
Distinguished Delegates,

I think our discussions have been very instructive and should inspire us as we refocus our efforts, which is imperative, particularly at a time of economic crisis. In your interventions, I heard genuine concern about the uncertainty of development prospects of the world's poorest and most vulnerable but also of donor countries, which are now faced with mounting debts and tight budgets. As the Deputy Secretary-General said yesterday, "We cannot allow the economic crisis to deflect us from our commitment to the world's poorest people. Development cooperation is not charity; it is smart investment in security and prosperity".

I am confident that together we will find ways to maximize this investment.

Thank you for your attention.

I declare the fifth High-level Dialogue on Financing for Development closed.