



EUROPEAN UNION

DELEGATION TO THE UNITED NATIONS

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The Delegation of the European Union to the United Nations presents its compliments to the United Nations Secretariat (Department of Economic and Social Affairs – Financing for Development Office) and has the honour to send attached the response of the European Union and its Member States to the Secretariat's Note DESA 11/0021 of 20 January 2011 on the follow-up to resolution 65/94 on "the role of the UN in global economic governance and development".



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EU initial views on "The role of UN in global economic governance and development"

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I. Introduction

1. The European Union (EU) is a staunch promoter of effective multilateralism and a firm believer in the fundamental role of the UN system in global governance. It is indeed a foundational principle of the EU, in the words of the Lisbon Treaty, to "promote multilateral solutions to common problems, in particular in the framework of the United Nations". Identifying and promoting multilateral solutions to common problems, and designing and implementing policies and measures to this effect, lie at the heart of global governance.

2. For this reason the EU welcomes the adoption of resolution 65/94 as an opportunity to deepen the reflection within the General Assembly on the ways that the United Nations can play an effective and key role in managing global challenges, as the main forum for international cooperation in collaboration, where appropriate, with all relevant international institutions, fora and processes.

3. Global economic governance is an essential element to achieve the very purposes of the UN, especially those set out on art. 1(3) of the Charter and in other major UN documents, such as the Millennium Declaration. The EU is ready to bring an active contribution to the debate. One of the main purposes of this reflection should be to identify ways to enhance the UN's central role to achieve its broad development agenda that encompasses all dimensions of sustainable development, as well as human rights, and the relation between development, security, conflict and country fragility (i.e. situation when a State is incapable or unwilling to deal with its basic functions, meet its obligations and responsibilities regarding the rule of law, protection of human rights and fundamental freedoms, security and safety of its population, poverty reduction, service delivery and the transparent and equitable management of resources).

4. This process should also bear consideration of the preparations of the UN Conference on Sustainable Development (UNCSD 2012), since one of the two themes in the agenda of UNCSD 2012 is the institutional framework for sustainable development. In this context, global economic governance needs to be looked at in conjunction with global social governance and global environmental governance.

5. The recent global economic and financial crisis demonstrated that working collectively through multilateral institutions and international fora is crucial to addressing the challenges of an increasingly inter-dependent world. Gathering nearly all countries in the world, the UN is no doubt the most inclusive global forum and its effectiveness is an important part of global economic governance. However, other multilateral institutions and

fora, as well as civil society and private sector, play important complementary roles. What is required in order to increase UN effectiveness in global economic governance is more coherence and cooperation at the global level, as well as making best use of comparative advantages of existing institutions and fora and their complementarity.

II. Global economic governance: some recent developments

6. In recent years, in a process actively supported by the EU, the roles of IMF and World Bank (the Bretton Woods Institutions (BWIs)) in global economic governance were strengthened in mainly three ways. First, they increased their legitimacy through reforms of voice and representation to take account of the increased economic weight of emerging and developing countries in the global economy, and of members' contribution to the World Bank's development mandate. Second, their resources were increased to make sure the BWIs are sufficiently equipped to cope with the current and future crises. Both institutions also enhanced existing or designed new instruments to increase their crisis responsiveness and to offer countries flexible and precautionary lending facilities as an alternative to foreign reserve accumulation. Third, they adapted their instruments and strategic priorities, taking into account the lessons from the crisis and the longer-term shift in economic paradigm. These reform processes are continuing, in particular on voice and representation in the World Bank, as the agreed compromise was deemed to be a first step on a longer path towards a dynamic and rule-based formula that reflects countries' shifting weights in the global economy and their contributions to the World Bank's development mandate. The EU will continue to work in this direction with a view to adequately reflecting the voice of developing countries, including the LDCs, in international institutions.

7. However, it should be noted that the reform of the BWIs would be incomplete by focusing purely on the question of quota and voice. The review of the Fund's and Bank's governance should be comprehensive and address the full range of reform elements. For instance, an open and transparent process for the selection of senior management, based on merit and regardless of nationality, is still an important issue to be tackled, as well as the promotion of staff diversity to better reflect the global nature of the BWIs.

8. During the world financial and economic crisis, the G20 emerged as the "premier forum for their international economic cooperation". While the G20 was created in 1999 as a forum of Finance Ministers and Central Bank Governors in the wake of the Asian crisis, the introduction of a meeting at Leaders level in November 2008 in Washington D.C. gave it a primary role in global economic cooperation and crisis management. This development responded also to the increasing weight of emerging economies in the global economy, without which global crisis management would no longer be effective. Current growth projections suggest that emerging economies' relative weight will continue to increase. Their increased responsibility in world affairs has already contributed to changing the role of the G20 which started to shift its focus from economic and financial issues to other global questions.

9. The G20 has provided important elements of a global crisis response, such as macroeconomic policy coordination, notably the Framework for Growth, reforms and resources of international financial institutions, and financial sector regulation. The G20 delivers through exchange of information, peer pressure and coordination. This is a major achievement for a new forum of countries that did not previously coordinate at Leader-level on such issues. The Group's efforts to reach out to non-G20 members, including UN

organisations, represent a significant development. To continue to increase its effectiveness, the G20 may consider further steps to enhance outreach to, and engagement with, non-G20 members. This is important considering G20's widened agenda to non-crisis policies, such as energy, environment, commodities, development or financial inclusion. In particular, the issues covered by the Seoul Development Consensus for Shared Growth and its Multi-Year Action Plan on Development, setting out concrete actions under nine pillars to support low-income countries, have become a central part of the G20 agenda.

10. The multiple global crises have increased the financing needs of developing countries. At the same time, the international development architecture has undergone a significant transformation in the last few years, with the emergence of new actors, increased regional, south-south and triangular cooperation, innovative mechanisms and an augmented role of private sector and civil society. The most dynamic emerging economies have become key actors, both as economic powerhouses and as development partners. They are now key "anchors" of the world recovery, stability, crisis prevention and resolution and global sustainable development.

11. In addition, in today's world of interconnectedness of and interrelationships between and among states, societies and individuals, "governance" in the economic field is not only provided via governments alone, whether individually or through their international organisations. Economic exchanges are as much regulated by norms and decisions of governmental or intergovernmental institutions as they are "governed" in non-legal ways by business rules and patterns, preferences and agreements, voluntary codes and certification systems, as well as the daily economic decisions of many other "actors" outside the governmental sphere, be they companies - large or small -, societal organisations or individuals as entrepreneurs, workers, consumers or citizens.

12. Non-State actors outside the traditional bilateral and multilateral relations have thus become very relevant. Their "weight" and technical expertise significantly influence public opinion and the decision-making process of governments and international bodies. The global governance of world's economic relations is thus much more fragmented, plural and disaggregated than the usual intergovernmental discourse as practised within the UN suggests. A reflection on global economic governance should therefore also look at the role and influence of other actors outside the government-controlled sphere of economic governance.

13. The EU welcomes the increased diversity in the development cooperation field, in particular the rise in the importance of non-DAC cooperation, global funds and private philanthropy. All stakeholders should be part of multilateral efforts to enhance the effectiveness of development cooperation and avoid duplication of efforts. Proliferation of providers should not lead to fragmentation of aid but should rather contribute to the strengthening of the global partnership for development.

14. In addition to more informal and flexible country groups (such as the G-20), regional organizations have consolidated and new structures emerged in Asia, Africa and Latin America, thus contributing to improve both regional and global governance.

15. The UN's relevance in global economic governance will also be measured against its ability to effectively cooperate with this new and evolving set of economic and development actors.

III. The UN in global economic governance and development

16. The UN provides a crucial platform for its membership to engage in consensual policy-making and policy implementation. The main UN functions in global economic governance include: exchanging information, generating knowledge and ideas, facilitating debate of global challenges, outlining policy choices, devising consensual policy recommendations, setting global standards, coordinating and monitoring policy implementation within the UN system and across its membership, and mobilizing resources around global agendas. In all these functions, the UN system has an unparalleled convening capacity and mobilizing power. The specialized agencies and institutions (the BWIs, WHO, ILO, etc.) and funds and programmes (UNDP, UNICEF, UNEP, etc.) often play an essential role in these areas within their respective mandates. As a whole, the UN system groups a wealth of expertise which is not only relevant to and can inform and promote global economic discussions, but is also of great direct relevance at the field level, through the presence of UN country teams around the world. As such the UN remains a key provider of global public goods.

17. The UN system at large thus constitutes a global institutional grid (even though with some important gaps and overlaps) that covers the three dimensions of sustainable development and effectively contributes to respond to global challenges. Close coordination between the UN and the specialized agencies is sought through the UN System Chief Executives Board for Coordination (CEB). However, work remains to be done to ensure better policy coherence for development between all UN bodies.

18. In this regard ECOSOC retains a great potential as the organ in charge of overall coordination and coherence of the three sustainable development dimensions. It also has an important convening power and ensures that the UN standard-setting responsibilities are not segmented.

19. Within the broad purview of global economic governance, the United Nations has a specific and crucial role in the efforts to help developing countries tackle a variety of global social, economic, financial and environmental challenges and to globally foster sustainable development in all its dimensions. The UN Conferences and Summits held in the 1990s and 2000s forged a global consensus around a shared vision of sustainable development that laid the foundation of the MDGs. This policy framework galvanizes concerted efforts of the broad UN system and will guide the cooperation of the UN with other multilateral fora until 2015.

20. As part of the international community shared understanding on sustainable development the Monterrey Consensus underlines the importance of continuing "to improve global economic governance and to strengthen the UN leadership role in promoting development" (paragraph 52). The Consensus sets out important guidelines to improve coherence and coordination between the multilateral institutions. It also provides a framework for regular dialogue and cooperation in the area of financing for development, in particular with the BWIs and the WTO.

21. The same guiding principles inspired leaders in the 2005 World Summit and led to the establishment by the Secretary General of a High Level Panel to explore how the UN system could work more coherently and effectively in the areas of development, humanitarian assistance and environment. The Panel's report, "Delivering as One", proposed a series of practical measures in the areas of governance, funding and management of the UN system

(including greater harmonization of and improved business practices, alignment of budgets, implementation of results based budgeting and management). Many of these recommendations have already materialized through the "Delivering as One" initiative at the country level, as well as through the creation of UN Women, and efforts should continue in this direction.

22. The relationship between the UN system, BWIs and other international and regional organizations as well as informal groups, such as the G20, should be guided by principles of efficient division of labour, coordination and complementarity, to achieve a more coherent and effective development cooperation system.

23. The EU supports enhanced cooperation between the United Nations and the G20 with a view to promoting a strongly cooperative, multidimensional approach to globalization and enabling the UN system to better tackle emerging global challenges. In addition, one of its Member States, France, is chairing the G20 until the next summit in November 2011 and is devoting particular attention to these issues.

24. The G20 can play a catalytic and/or supportive role in specific areas, such as economic policy, development, financial sector reform, trade, energy safety and security, environment, including climate change, and health. Enhanced cooperation with the UN has very important potential. The G20 can also provide the political momentum in areas where the UN may find it more difficult to galvanise action. Conversely, the UN's operational agencies provide a critical mechanism for implementation of internationally shared priorities.

25. Global economic governance in the area of international trade relations resides in the WTO. The EU strongly supports the successful conclusion in 2011 of an ambitious, balanced and comprehensive WTO Doha Development Agenda and believes that it would bring substantial benefits to advanced and emerging economies and development benefits to developing countries, particularly the poorest. An important element is to ensure that the economic opportunities created by additional liberalization are fully seized by developing countries and especially by the LDCs. Complementarity between the WTO and the UN system needs to be strengthened especially in light of the important contribution which international trade can make to sustainable development.

26. As noted, a broad policy consensus on many sustainable development and economic issues has been recorded in several key UN-agreed documents, including the Rio Declaration, the Millennium Declaration, the Monterrey Consensus and many others. The broad institutional architecture also exists, even though it can be improved and streamlined, especially in terms of division of labour across the three main dimensions of sustainable development. However, the complexity of today's challenges, including financial and economic crises, energy and food price volatility, environmental risks, raising unemployment, demands an ever more effective delivery of global economic governance.

27. In many instances moving from broad consensus to a more operational policy-making and actual coordinated delivery of measures on the ground has been hampered by some outdated debates reflective a North-South logic which no longer defines international relations. This severely restricts the capacity of the UN to play its full role in global economic governance. In many cases the nature of the negotiating blocks at the UN no longer reflects realities, often hinders the search for truly "*multilateral* solutions to common problems" and draws deliberations in the UN to the lowest common denominator. In addition, in many cases

the inflation of resolutions coupled with the need to find consensus lead to formulaic and repetitive texts with limited value in terms of forward-looking policy-making. Innovative thinking, a genuine search for common ground, the contribution of non-State actors, regional and sub-regional approaches may provide more flexible, pragmatic and feasible alternative options, allowing for more effective discussion, decision- and policy-making at the UN.

IV. Towards a more effective UN in global economic governance and development: Recommendations for further reflection and policy-making

28. The UN is a key enabler and facilitator of collective action and international cooperation, as well as an important actor in many areas. As such it plays a key role in global economic governance. One of the crucial tasks of the current reflection exercise is to devise ways to enhance these functions, which are in increasing demand in the face of the growing challenges of interdependence and globalization.

29. On the basis of the elements above, the EU would make the following recommendations for further reflections and policy-making:

- Coherence and coordination of policies and actions across the various dimensions of sustainable development and across the UN system, the international financial institutions and the relevant regional organizations and informal groups, such as the G20, should be further strengthened, in particular with those organizations that have also adopted the MDGs as an overarching framework for development cooperation (e.g. the World Bank, OECD/DAC and Multilateral Development Banks). In this regard, it will be important to identify and build upon strengths of current arrangements and best practices.
- The comparative advantage in fostering policy consensus and policy implementation of the various institutions, specialised agencies, funds and programmes needs to be identified and enhanced so as to achieve synergies and complementarities and avoid overlaps.
- Existing UN best practices (e.g. the establishment of overarching policy approaches such as human development, UN initiatives to catalyze action and deliver development support in the MDG framework, the ILO experience in the area of policy coherence across stakeholders, or that of Global Compact in the interface with the private sector) in addressing common challenges through policy-making and action on the ground need to be identified and diffused.
- ECOSOC's role and functions in promoting coordination and coherence for sustainable development need to be used to its fullest potential. Its mandate may need to be translated into more operational practices, building upon one of ECOSOC's strengths: the participation of all relevant policy-makers and stakeholders in its deliberations.
- The proliferation of repetitive resolutions needs to be contained in order to restore and enhance their value as expressing the "view of the international community", and as such promoting policy orientations and outcomes; using the UN convening power, it is important to explore and make best use of alternative ways for meaningful and effective discussion, exchange of views and best practices, which may be more useful

for consensual policy-making than necessarily resorting to the lengthy drafting of resolutions.

- As regards governance related to trade and investment issues, the UN should provide an important discussion platform, promoting a constructive dialogue among countries and other relevant stakeholders. And once the Doha negotiations are completed, the UN should work towards ensuring that the development benefits the new commitments provide actually materialize for all developing countries and specially the LDCs. The UN field presence will be very important in this respect, especially in the areas of capacity building for trade and investment, public administration, public procurement, etc.
- As regards monitoring the impact of the economic and financial crisis on the poorest and most vulnerable, the UN should continue working with other relevant institutions in this area. The EU encourages the UN to enhance its ability to reach the most vulnerable and those in fragile situations and countries, which is an important added-value of the UN vis-à-vis other organizations.
- In order for the UN to better deliver on its global mandate, its capacity to "Deliver as One" should be strengthened. The EU fully supports swift progress in implementing the UN System-Wide Coherence mandates, as well as those resulting from other past or ongoing reform processes (revitalisation of General Assembly, review of ECOSOC resolution 61/16). Efficiency gains must also be pursued by speeding up reform and pooling together scarce resources.
- The UN should enhance its engagement with non-state actors in policy discussion, with a view to ensuring their broadest participation in discussion and support for action, as well as for harnessing their advocacy of UN agreed policies and standards in the area of sustainable development.

V. Suggestions for the preparation of the report

30. The Secretary-General's report should not be conceived as a factual and routine report. It should be seen as the starting point of a broad reflection process that should incorporate from the outset substantive inputs from, and thorough consultation with, all the relevant agencies and organizations in the UN system, including the BWIs, as well as inputs from outside experts and stakeholders. The report should also draw from all ongoing sources and reflection strands within the UN system, including the Secretary General Global Sustainability Panel and work related to the preparation of the UNCSD in 2012.

31. The EU is most interested in fully participating in the reflection on the UN in global governance as called for in resolution 65/94 and providing additional contributions to the process.