

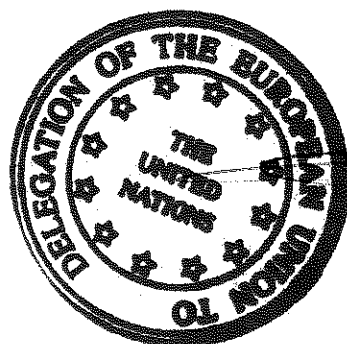


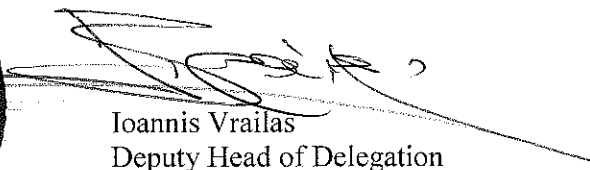
EUROPEAN UNION
Delegation of the European Union
to the United Nations

New York, 19 February 2013

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 input of the European Union and its Member States as invited in Secretariat's Note DESA/13-00059 of 14 January 2013, in relation to the drafting of the Secretary General report mandated in resolution 66/256 of 16 March 2012, entitled "The United Nations in global governance."

The European Union Delegation to the United Nations avails itself of this opportunity to renew to the Secretariat of the (Department of Economic and Social Affairs - Financing for Development Office) the assurances of its highest consideration.




Ioannis Vrailas
Deputy Head of Delegation

Department of Economic and Social Affairs
Financing for Development Office
Two United Nations Plaza
Room DC2-2170
New York, NY 10017

Email: ffdoffice@un.org

Input of the European Union and its Member States on the role of the United Nations in global economic governance and development

(12 February 2013)

I. Introduction

1. The European Union (EU) and its Member States are staunch promoters of effective multilateralism and a firm believer in the fundamental role of the UN system in global governance. It is indeed a foundation 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, lies at the heart of global governance.

2. For this reason we welcome the Report of the Secretary General A/66/506¹, submitted in response to resolution 65/94², and the adoption of resolution 66/256³ on 'the United Nations in Global Governance.' This latter resolution (66/256) mandates the Secretary General to submit to the General Assembly 'by the end of February 2013, an analytical report focusing on global economic governance and development, with further concrete recommendations...'. We believe that this is an important opportunity to deepen the reflection within the General Assembly on the ways 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. We continue to be 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.

II. Relevance of global economic governance for development

4. Global interdependencies and spillovers have increased considerably in recent decades. New opportunities have been created (e.g. through ICT, trade and investment) and new issues relating directly to governance of global common goods have acquired heightened prominence in the international debate (e.g. climate, biodiversity, use of the oceans). This has brought about many benefits for countries across the world, not in the least significant economic prosperity. However, deepening global interdependence also necessitates enhanced international cooperation. Effective global governance is essential to make progress in important areas such as trade and investment, the international financial architecture, and sustainable development.

¹ Report of the Secretary General 'Global Economic Governance and Development' date 10 October 2011.

² Resolution adopted by the General Assembly 'The United Nations in global governance', date 28 January 2011.

³ Resolution adopted by the General Assembly, 'The United Nations in global governance', date 15 May 2012.

5. The European Union and its Member States agree that an efficient and relevant architecture for global economic governance, in certain areas such as taxation, trade, FDI etc., is also key to achieving international development goals. There is no question that despite increases in global aid commitments and good progress in implementing the aid effectiveness agenda, official development assistance (ODA) alone cannot achieve the Millennium Development Goals and address other critical development challenges. Other sources of public and private development finance, including foreign direct investment, remittances and private flows, are becoming increasingly significant and quantitatively far exceed ODA.

6. As highlighted in SG Report A/67/93 relating to the Quadriennial Comprehensive Policy Review of Operational Activities for development of the UN System, "the development landscape is changing, and so too should development cooperation. Four features are particularly relevant for development cooperation: (a) the emergence of new centres of economic dynamism vindicates the development effort; (b) the intensification of global challenges calls for scaling up as well as leveraging of development assistance around common goals and agreed actions; (c) the transforming relationship among States, markets and individuals suggests different ways to deliver assistance; and (d) the growth of new institutional actors strengthens the ranks of development partners. These changes are potentially beneficial for the functioning and effectiveness of the United Nations development system."⁴

7. Effective global economic governance is of critical importance for achieving the MDGs and in the run-up to 2015 we remain determined to increase our development impact. We see the Millennium Declaration and a set of related UN documents, including the Rio+20 outcome document, as providing a comprehensive and ambitious foundation for the post 2015 period. The post-2015 development agenda should respond to the global challenges of the 21st century, building on the MDGs, and with a view to ending poverty and achieving sustainable development.

8. We also put great emphasis on ensuring that the process aimed at designing the post-2015 development framework be an inclusive one, with the full contribution and engagement of all relevant stakeholders, notably civil society, including the private sector. Improving the current framework, while keeping it coherent and simple, will be our common challenge.

III. The global economic governance framework: some recent developments

a. Global Economic Governance – Reform of the Bretton Woods Institutions (BWI)

9. In recent years, in a process actively supported by the EU and its Member States, the roles in global economic governance of the International Monetary Fund and the World Bank (the Bretton Woods Institutions), were progressively strengthened. In the IMF, the quota and voice reform packages adopted in 2008 and 2010 to take account of the increased economic weight and responsibility of emerging market and developing countries in the global economy, have increased its legitimacy and credibility. As part of the 2010 IMF Quota and Governance package, it was agreed to double the IMF's quota pool of resources. In this context, IMF members agreed on a quota shift of over 6 percent from over- to under-represented countries, and a shift of around 6 percent to the benefit of dynamic emerging market economies, whilst protecting the voting share of low-income countries. There was also agreement on a comprehensive review of the quota formula and the completion of the next

⁴ Report of the Secretary General 'Quadriennial comprehensive review of operational activities for development of the United Nations system', date 11 June 2012, p.8

regular review by January 2014. Overall, the 2010 Quota and Governance reform represent a major achievement in enhancing the credibility, legitimacy and effectiveness of the Fund.

10. 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. They also adapted their instruments and strategic priorities, taking into account the lessons from the crisis and the longer-term shift in economic paradigm.

11. The International Monetary Fund (IMF) in the context of the global economic crisis has recently developed new vehicles to sharpen the focus on risks and take account of the global interdependencies and spillovers. It has also sharpened economic surveillance in order to contribute better towards the prevention of future crisis. It continued increasing its resources to strengthen the global financial safety net. In this regard, a number of countries committed themselves at the G20 Summit in June 2012 to make another USD 461 billion of bilateral resources available for the IMF, to cope with on-going economic challenges.

12. IMF members are also working on ratifying the 2010 Quota and Governance Reform. , In January 2013, the Executive Board formulated important building blocks for agreement on a revised quota formula and agreed that the review of the quota formula will be taken together with the 15th General Review of Quotas, which has to be concluded by January 2014. The expectation is that the review results in further increases in the quota shares of dynamic emerging market and developing economies in line with their relative positions in the world economy.

13. In 2010, World Bank Governors endorsed voice reform to increase the voting power of developing and transition countries (DTC) in IBRD by 3.13%, bringing it to 47.19%. This represents a total shift of 4.59 % to DTCs since 2008. This followed a prior phase of Voice reform that increased the power of developing and transition countries in IBRD to 44.06% and created a third chair for Sub-Saharan Africa. This 2010 realignment includes a selective capital increase of \$27.8 billion with paid-in capital of \$1.6 billion. For the next shareholding review in 2015, we committed to establish a work program and a roadmap to arrive at a benchmark for a dynamic formula reflecting the principles agreed in Istanbul, moving over time towards equitable voting power and protecting the voting power of the smallest poor countries. As a first step in IFC voice reform, an increase in basic votes and a selective capital increase of \$200 million was endorsed in 2010, representing a total shift of 6.07%, to bring DTC voting power to 39.48 % and moving towards a broad and flexible alignment with IBRD Shareholding. The EU and its Members States welcome this progress and the further steps in train to strengthen the World Bank Group's efficiency, accountability and legitimacy. In particular we look forward to agreement on an appropriate voting formula by 2015 and ensuring that future selection processes are truly merit based regardless of nationality. .

14. 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. We will continue to work in this direction with a view to adequately reflecting the voice of developing countries, including the LDCs, in international institutions.

b. Global economic governance – Financing for Development

15. The Monterrey Consensus underlines the importance of continuing "to improve global economic governance and to strengthen the UN leadership role in promoting development" (para 52). It provides 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, WTO and UNCTAD.

16. 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 by creating UN Women. We strongly support efforts in this direction, including through full implementation of the recently agreed Quadrennial Comprehensive Policy Review (QCPR) of UN operational activities for development across the UN system.

17. Important progress has been made in advancing the aid effectiveness agenda. We are of the view that the 4th High Level Forum on Aid Effectiveness (Busan, 2011) was a major development policy event which agreed to set up a new inclusive global governance structure, the Global Partnership for Effective Development Cooperation. The Forum marked a conceptual shift from aid effectiveness to aid and development effectiveness, which in practise will mean a clearer emphasis on results and strengthening aid's role as a catalyst for development results.

18. The new partnership established in Busan is broader and more inclusive than ever before, founded on shared principles, common goals and differential commitments for effective international development. At the same time, the Busan outcome document recognised that the ways in which these principles are applied differ across countries at various stages of development, and among the different types of public and private stakeholders involved. It underlined that lessons should be shared by all who participate in development co-operation and welcomed the opportunities presented by diverse approaches to co-operation, such as South-South co-operation, as well as the contribution of civil society organisations and private actors.

19. The EU and its Member States welcome the increased diversity in the development cooperation field, in particular the rise 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. In this regard the European Union will also engage resolutely and constructively to ensure that the work of the expert committee on Sustainable Development financing, mandated by the Conference on Sustainable Development (Rio+20), successfully completes its work by 2014.

c. Global Economic Governance – G20 and other new international actors

20. Since 2009, international economic and financial cooperation for the world's biggest economies has been promoted within the G20, in complement to the G8. This informal

grouping has proved to be a powerful and efficient dealmaker during the crisis, and has shown that it is able to provide political momentum on key global issues. The G20 Members are also important players in many international organisations that have been established for a longer time, such as the BWIs, the WTO and the OECD. It is important to continue the successful dialogue and outreach policy of previous G20 Presidencies.

21. We support dialogue between the United Nations and the G20 with a view to promoting a strongly cooperative, multidimensional approach to globalization. The UN and the G20 should enhance dialogue and outreach activities.. During the French Presidency of the G20 particular attention was devoted to this issue, which was continued by the Mexican Presidency.

22. We believe that the G20 can play a catalytic and/or supportive role in specific areas, such as strong, sustainable and balanced economic growth, employment and decent jobs, development, financial sector reform, trade, energy safety and security, and climate change.. The G20 can also provide the political momentum behind key agendas - such as Social Protection Floors, Food Security and the fight against protectionism -. Conversely, the UN's operational agencies provide a critical mechanism for implementation of internationally shared priorities.

23. The international development architecture has undergone a significant transformation over the past decade, 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.

24. Non-State actors outside the traditional bilateral and multilateral relations have thus become very relevant. Their 'weight' and technical expertise often significantly influence public opinion and the decision making process of governments and international bodies. The global governance of the 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. Joint implementation based on shared goals can facilitate and speed-up transformational changes.

25. In addition to the more informal and flexible Groupings, new regional organizations have emerged or been strengthened in Asia, Africa and Latin America (e.g. Africa Union, MERCOSUR, ASEAN, Union of South American Nations, Shanghai Cooperation Organisation, Eurasian Economic Community etc. as well as intra regional cooperation such as APEC, BRICS or Africa-South America Summits), thus contributing to improve both regional and global governance.

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

IV. The UN in global economic governance and development

27. 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 to exchange information, generate knowledge and ideas, debate global challenges, outline policy choices, coordinate policies within the UN system and across its membership, come up with consensual policy recommendations, set principles, orientations and global standards, as well as mobilize resources around global agendas. In all these functions, the UN system has an unparalleled convening capacity and mobilizing power. The specialised 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. In global economic governance the UN system should concentrate on this expertise and knowledge that other international bodies do not have or that they overlook i.e. economic data in developing countries, integration of Internationally Agreed Development Goals-aspects in economic analysis, development of GDP+ indicators that are relevant for sustainable development etc. As such the UN remains a key provider of global public goods.

28. 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.

29. In this regard, the Economic and Social Council (ECOSOC) is a central mechanism for the coordination of the UN development system and has a key role in achieving a balanced integration of the three dimensions of sustainable development. Building on its convening power and unique position as the central forum for system-wide coordination, it would thus respond to the need for better governance and coherence at the global, regional and national levels.

30. The Rio+20 conference outcome document has reaffirmed that ECOSOC is not only the body dealing with economic and social development, including the MDGs, and has recognised its key role in achieving a balanced integration of the three dimensions of sustainable development and following up on major UN conferences in economic, social, environmental and related fields. We believe that the ECOSOC reform process provides a good opportunity to reflect on a more effective organisation of the Council's agenda, thus making better use of its convening power and core mandates, and can facilitate the establishment of a powerful High-Level Political Forum (HLPF) on sustainable development as agreed in Rio.

31. We see a need for a strong link between the HLPF and ECOSOC, which would contribute to a high degree of consistency and convergence in sustainable development discussions and ensure an integrated approach addressing all its dimensions. These two processes have to be closely coordinated. Only through a proper sequencing of decisions, will we manage to get effective reform results.

32. The relationship between the UN system, and other international and regional organizations should be guided by principles of efficient division of labour, coordination and complementarity, to achieve a more coherent and effective development cooperation system.

33. Governance in the area of international trade relations resides in the WTO. The EU strongly supports increased efforts towards a successful conclusion of an ambitious, balanced and comprehensive WTO Doha Development Agenda and believes that it would bring substantial benefits to developed countries, emerging economies and 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, especially the LDCs. Complementarity between the WTO and the UN system should be strengthened especially in light of the important contribution which international trade can make to sustainable development. A rapid and balanced conclusion of the DDA will also provide a much needed impetus towards the strengthening of multilateralism. Important steps towards the conclusion of the DDA should be made at the 9th WTO Ministerial Conference in December 2013.

34. 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 (1992), the Millennium Declaration (2000), the Monterrey Consensus (2002), the Doha Declaration (2008) and including the Rio+20 outcome document (2012). The broad institutional architecture also exists, even though it can be improved and streamlined. However, the complexity of today's challenges, including financial and economic crises, energy and food price volatility, environmental risks, high unemployment, demands an ever more effective delivery of global economic governance.

35. 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 of 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 does not reflect realities anymore and 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 decision- and policy-making at the UN.

IV. Towards a more effective UN in global economic governance and development: Policy recommendations.

36. In a nutshell 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 can play a key role in global economic governance, if it uses its advantages wisely. One of the crucial tasks of the current 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.

37. On the basis of the elements above, the EU would make the following policy recommendations:

- Coherence and coordination of policies and actions across the various dimensions of sustainable development and across the UN system, including the international financial institutions and the relevant regional organizations, should be further strengthened, in particular with those organizations that have also adopted the MDGs as an overarching framework for development cooperation (e.g. World Bank, OECD/DAC and multilateral and regional development banks). This was one of the main conclusions of the SG report A/66/506 and we are of the view, especially in light of ongoing 'governance reform' processes, this need has become all the more important.
- ECOSOC's role and mandate in promoting coordination and coherence for sustainable development needs to be used to its fullest potential. Overall, the objective of system wide coherence is the central consideration in our review of the functioning and relevance of ECOSOC. We would like to see the complexity of its management task reduced and its think-tank capacities revived. 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. We agree with the Secretary General's conclusion in report A/66/506 for the performance of United Nations organs and bodies to be periodically reviewed and when necessary, reformed. The duplication of discussions in ECOSOC and the GA needs to be greatly reduced.
- 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, needs to be identified and diffused.
- The proliferation of lengthy, overlapping and 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 resorting to the traditional lengthy drafting of resolutions.
- Efforts should be made to ensure that there continues to be predictable and consistent engagement between the G20 and the United Nations, as well as the UN's dialogue with emerging actors. We support a continuation of dialogue between informal groupings, such as the G20 and the UN system.
- As regards governance related to trade and investment issues, the UN should continue to provide an important discussion platform, promoting a constructive dialogue among countries and other relevant stakeholders. The UN should work towards ensuring that the development benefits derived from efforts of developing countries to integrate into the multilateral trading system, as well as from openness to trade and investment, do materialize for all developing countries, especially the LDCs. The UN field presence will be very important in this respect, especially in the areas of capacity building for

trade and investment, Trade Facilitation, public administration, good governance, public procurement, etc.

- The UN should enhance its engagement with non-state actors in policy discussion, with a view to ensuring the broadest support for action and improving the advocacy and dissemination of UN agreed policies and standards to promote sustainable development.
- In order for the UN to better deliver on its global mandate, its capacity to "Deliver as One" should be strengthened. The EU and its Member States fully support swift progress in implementing the UNGA Quadrennial Comprehensive Policy Review (QCPR) resolution, 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.

V. Suggestions for the preparation of the report

38. The mandate in Resolution 66/256 is for the Secretary-General to submit an 'analytical report focusing on global economic governance and development, with further concrete recommendations.' Therefore this report should not be conceived as a factual and routine report. It is going to be part of the continuation of a broad reflection process that should continue to incorporate substantive inputs from, and through consultation with, all the relevant agencies and organizations in the UN system, including the BWIs, as well as inputs from other stakeholders and experts.

The EU and its Member States stand ready to fully participate in the reflection on the UN in global governance as called for in resolutions 65/94 and 66/256, and to provide additional contributions to the process. In this regard we look forward to the UN Thematic Debate entitled 'The UN and global economic governance' scheduled for the 15 April 2013.