

Preparatory Process for the third International Conference on Financing for Development

Substantive informal session on “Enabling and conducive governance, including global economic governance”

11 December 2014, 3 p.m. – 6 p.m.,
Trusteeship Council Chamber, United Nations, New York

The Monterrey Consensus emphasised the importance of both national and international enabling environments for financing development. Since the Monterrey Consensus there have been important efforts in both these areas.

On the national level many developing countries have sought to strengthen the rule of law, address continuing gender inequities, improve public services delivery, provide additional information to the public, enhance accountability, especially with regard to proposed government budgets, and facilitate the formation and appropriate regulation of businesses. (This topic was also addressed in the November thematic discussions and so the following concept note will emphasize the issue of global governance.)

On global economic governance, there have been important efforts to strengthen the role of developing countries in multilateral institutions and forums, but also disappointments at how slowly some changes have taken place. Current governance arrangements do not adequately reflect economic realities, particularly the rising importance of emerging market economies, and their legitimacy has therefore been questioned. Moreover, the system of global economic and financial governance is overseen by separate and sometimes uncoordinated international bodies, while there are also gaps in multilateral frameworks to address important issues such as international debt and tax cooperation. The lack of coherence between different parts of the international system constrains attempts to achieve international goals.

The emergence of complementary plurilateral financial institutions seems to speak to a perceived gap in global economic governance. Moreover, it has proved difficult to operationalise the Monterrey Consensus commitment to enhancing the coherence, governance and consistency of the international monetary, financial and trading systems. Enhancing global economic governance remains a work in progress.

Draft Programme

Co-Chairs:

- H.E. Mr. George Wilfred Talbot (Guyana)
- H.E. Mr. Geir O. Pedersen (Norway)

Moderator: Mr. Olav Kjørven, Director for Public Partnerships, UNICEF

Speakers

- Mr. Barney Frank, Former US Congressman
- Ms. Simone Monasebian, Director-NY, UN Office on Drugs and Crime
- Mr. Aleksei Mozhin, Executive Director at IMF (Russian Federation)
- Ambassador Eduardo Galvez, Director-General of Multilateral Affairs, Government of Chile
- Ms. Alexia Latortue, Deputy Assistant Secretary for International Development, US Treasury
- [Mr. Roberto Bissio](#), Executive Director, Instituto del Tercer Mundo

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Briefing Note

Domestic Governance

Strong and transparent domestic governance – including over the policy, legal, regulatory and institutional environment – is an important aspect of responsible societies. Not only does it allow for the proper respect for human rights imperatives, but it sets the stage for sustainable development. To the degree that good governance establishes a stable policy environment that will be sustained by the will of the people, it encourages taking long-term decisions for the betterment of society. In addition, an appropriately enabling environment for sustainable development encourages business formation, long-term investment, and growth.

Good governance requires an informed and engaged citizenry, adequate transparency and reliable accountability. At the same time, it also benefits from an enabling international environment and international cooperation. Given our globalized economy, successfully combating outright corruption sometimes requires the assistance of international partners, as through the UN Convention against Corruption, including its commitment to assist countries to recover stolen assets. More than voluntary pledges of enterprises to abide by international standards set by official or private bodies, legal recourse, such as under the anti-corruption treaty, is can be a deterrent.

Global Economic Governance

The world has become more economically interdependent since many of the existing mechanisms of global economic governance were created 70 years ago. International economic integration and interdependence has increased markedly, while recent years have also witnessed a rebalancing of global economic power with the increased economic importance of emerging market economies. While the recent developments have given rise to new opportunities for economic advancement, they have also posed significant challenges. For instance, the sharp increase in trade, capital and migration flows in the last decade have made individual countries, especially smaller and poorer ones, more susceptible to policies adopted by others. Yet, government policies and institutional arrangements for collective decision-making have not kept pace with these changes.

In particular, the existing structures of global economic governance have not adequately evolved to respond to the current global challenges. The governing bodies of both the IMF and the World Bank Group agreed to governance reforms in 2010 that improved their respective governance structures regarding representation, responsiveness, and accountability. The Financial Stability Board (FSB), created in 2009, has a more inclusive governance structure compared to its predecessor, the Financial Stability Forum. Still, governance reform to support strengthened global coordination remains incomplete. The World Bank Group reforms would result in an increase in voting power for developing and

transitional countries in the International Bank for Reconstruction and Development and the International Finance Corporation for Part II members, but have so far not been fully implemented. The agreed reforms to the IMF executive board structure, which require an amendment of the IMF Articles of Agreement, have also not entered into force, blocking implementation of the IMF quota increases and voting rights reforms also agreed in 2010. The FSB remains an exclusive body without universal representation and without clear rules for membership in various subsidiary bodies.

Serious consideration needs to be given to strengthening the institutional framework for collective decision-making at the international level. As a result of shortcomings in this respect, important issues such as advancing a multilateral trade agreement and adopting a framework for climate change mitigation and adaptation remain pending. As a starting point, measures need to be set in place to enhance the accountability, effectiveness, coherence of the UN system at intergovernmental, institutional and operational levels. There is a need to strengthen the coherence and harmonization of existing international mechanisms, frameworks and instruments, including across climate finance, ODA, vertical funds, and other financing mechanisms.

There has been an absence of adequate coordination of international monetary, financial, trade and development policy. The Group of 20 (G20) has become an important forum for international economic co-operation. The G20 has demonstrated increasing willingness to involve the wider membership of the United Nations and foster degrees of engagement with some relevant stakeholders. For example, within the G20 framework, the United Nations and other multilateral institutions are invited to work together on policy coherence in the face of global challenges. However, while this serves to enhance coherence, concerns remain over the degree of inclusiveness and legitimacy of the G20.

At the same time, regional and inter-regional mechanisms of global governance have increased, such as the Brazil, Russia, India, China and South Africa (BRICS) Leaders' Summit, now entering its seventh year. New regional and inter-regional financial institutions – such as the BRICS New Development Bank and the Asia Infrastructure Investment Bank – should bring new sources of finance to member countries, however they do not yet have formal mechanisms for coordination with the United Nations system. Regional and sub-regional development banks and UN regional commissions have an important role to play in bringing to bear lessons learned from their presence on the ground and in reflecting regional and local sensitivities in global decision-making. There is significant scope for strengthening, consolidating and establishing regional mechanisms, including linkages between regional and global processes.

The 2013 report of the Secretary-General on “Global Economic Governance and Development” addresses these issues and was followed by adoption by consensus of resolution 67/289 on “The United Nations in global economic governance”, sponsored by over 80 individual developing and developed countries. It recognized the important role of

the United Nations as a forum on global matters of concern to the international community, and the need to continue to enhance the coherence and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness as complements to national development efforts. In this context, it stressed that the international financial and economic crisis had added new impetus for reform of the international financial system and architecture. Meanwhile, the United Nations has created a new universal mechanism in the High-Level Political Forum, which aims to address at least some of the dimensions of policy coherence for sustainable development.

For global economic governance to operate more effectively in the post-2015 context and to support a renewed global partnership for development, a framework of accountability, efficiency and coordination should be established among Member States and multilateral and regional organizations. To maximise effectiveness, this framework will need to be viewed as legitimate in the eyes of all Members. In addressing cross-cutting and emerging challenges (such as, for example, climate change, migration and food and energy security, prudential financial regulation and trade in financial services, macroeconomic policy coordination and the adequacy of financial crisis mitigation instruments), coordination and coherence across policy areas will be important.

Guiding questions

- 1. A major global concern in domestic governance is the extent to which governments protect and enforce the civil and political and the economic and social rights of their populations, especially women, children, the marginalized and other vulnerable groups of people. What lessons should we take forward at national and international level for better honouring fundamental human rights, including the right to development?*
- 2. The international community took a large step forward in global cooperation against corruption when it adopted the United Nations Convention against Corruption. After almost a decade of experience in implementing this unique convention and after a first set of peer reviews, what lessons can we draw for strengthened governance, as well as to strengthen the convention's enforcement?*
- 3. How might resistance to further governance changes in multilateral financial institutions be overcome? Does greater use of double-majority voting (majorities of votes and members) offer a promising approach?*
- 4. The UN has grappled with how to interact most effectively with the G20 and has explicitly considered steps to improve global economic governance in a series of General Assembly resolutions. How might these initiatives be built upon to strengthen global economic governance?*

5. *The UN development system was created as a highly decentralized set of agencies, funds and programmes, with different governing boards operating under different rules of governance and independent mandates. The General Assembly and the Economic and Social Council, as principal organs of the United Nations, exercise a loose coordination of these entities, seeking to strengthen their joint effectiveness while not discouraging their independent initiatives. Has this modest degree of coordination led to coherence and effective cooperation on policy matters and in field operations? If not, what measures can be undertaken to enhance coherence, coordination, and cooperation across the UN system?*