

EU Speaking points

for the meeting of the Ad Hoc Open Ended Working Group to follow up on the UN  
Conference on the World Financial and economic Crisis and its impact on Development

UN, Wednesday, 28 July 2010

Thank Co-Chairs for their hard work leading to the presentation of this report, including the organization of our six thematic discussions, the clear effort in trying to give a fair rendition of the debates we had over several months and finally for inviting us today to submit feedback on this draft progress report.

The EU would like to make two sets of comments, the first one on the procedural aspects and the nature of the document and the second one on the content of the report.

1.

On the procedural aspects, the EU agrees on the **process** as indicated by the Co-Chairs in their letter of 16 July 2010. In particular, we agree that the GA will be the one to make decisions about the future life of the Working Group and that we should leave all aspects related to this issue aside for the moment.

In addition, the EU would like to note , As noted both in the Co-Chairs letter and in the chapeau to Section III on "Key recommendations proposed by MS", that these recommendations were proposed by one or more individual MS or groups of States, and could therefore not be considered as agreed among all Member States. We believe that this

fact should be highlighted in an even clearer manner in the report of the Co-Chairs to be transmitted to the GA.

The EU has also noted that some of the recommendations included in the last section of the report are not addressed in the earlier sections of the report which reflects the discussions held. Important examples of this discrepancy are both the proposal for timetables for further scaling up of ODA and the idea of adopting a GA resolution on global economic governance,.

2.

The comments we have on the **content** of the report are, understandably, a bit more substantive, as the EU has actively and gladly contributed to all the debates leading to this report and feels a great deal of ownership in this exercise.

It is therefore with some regret that we noticed that several of the opinions expressed and proposals made by our group are missing or inadequately captured in the report. Reading the report and the list of the recommendations summarized at the end, a reader could be left with the overall impression that over the course of this process only very radical proposals were made. The views of those, including the EU, that found that the improvement of existing processes and strengthening of ongoing reforms were the most appropriate way forward and platform upon which to build, unfortunately, do not receive the same emphasis in this draft. This is true also for the several occasions where the EU and others have considered that current or recent reforms have offered a significant response to the problems related to the financial and economic crisis.

- For example, while the EU agrees that the relation between UN and G20 should continue to be strengthened, as the report rightly states, the report should have also

acknowledged the progress made so far in this context, including the outreach activities by the G20 Host countries themselves with the UN and other non-members of the G20, as well as the participation of the UN Secretary General in the G20 meetings.

- The question of the efficiency of the UN and its capacity in responding to the crisis, which was raised as part of the debate, should have been captured in a more profound manner in the highlights of the report especially as the response of the UN system to the impact of the crisis on development has special importance and value added.
- Adopting effective sustainable tax systems and strengthening social protection systems as policy options available to developing countries, which would also enhance the mutual accountability among partners, while "many MS" (*para 46*) certainly raised them, do not seem to have received due attention, as they should.
- The consideration of innovative financing mechanisms and the fight against illicit capital outflows, two very important paths for action, capable to harness considerable resources for development purposes, should also have been given more prominence in the draft report, including as the mobilization of additional resources has been one of the main topics of the OEWG.
- The Debt Sustainability Framework of the BWIs and the Framework for Sustainable Lending of OECD, as well as the ability to build on existing mechanisms (Paris Club and HIPC) should also have been further elaborated in the report, in contrast with the repeated mention of their positive contribution in addressing the debt issues.

We recognize that some of the issues that were discussed during the considerations of the working group have since been considered or addressed, either at the United Nations or in other fora. These are indeed positive steps in working toward addressing some issues of concern raised during the discussions of the Working Group. These include:

- The idea of upgrading the UN Committee of Experts on International Cooperation in Tax Matters, which has been discussed during the recent substantive session of the ECOSOC and will be the focus of further discussion in the spring of 2011; and the
- The Recapitalization of the Multilateral Development Banks has been under discussion and capital increases have been adopted by many
- The request to further reform the WB, while relevant, may not take fully into account the recent reforms with regard to voice and participation of developing countries which were just decided during the 2010 review and the next adjustment planned for 2015.

Looking at the whole of the report, the EU has noticed some imbalances in the representation of certain important issues:

- The report (para 5) seems excessively pessimistic on the uncertainties of the recovery, also in the light of latest hard data (beyond financial markets indicators, i.e. production and labour market) and then singles out only middle-income countries as facing problems from a sluggish recovery.
- The same emphasis on MIC in terms of concessionary finance especially in a context of shortage would be at the expense of low income countries.
- Also, (para 33) the report states that "a large number of developing countries still had insufficient policy and fiscal space to meet development challenges and pursue

counter-cyclical policies". While this is certainly correct for some developing countries, one of the positive features of this crisis was that most developing countries showed a significant degree of resilience due to their improved macroeconomic policy frameworks at the beginning of the crisis.

- On Sovereign Drawing Rights, the reiterated clarifications given over the role of SDRs as a liquidity mechanism and not as a "tool for development financing, but to be used for liquidity purposes and as a reserve agent" (para 36), are seemingly lost in the report.

These imbalances notwithstanding, the EU still considers the whole process as evidence of the vitality of the UN and its ability to contribute to the solution of global issues. We are indeed pleased to note that among the recommendations are included some very crucial principles and ideas.

- The EU welcomes the discussion about and references made to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, as these two processes are a crucial component upon which the EU's development policies are based. The EU thus supports a comprehensive recognition and implementation of these principles into national, international, and regional development frameworks;
- We support the adoption of more stringent regulations and supervision of financial institutions, as proven by the recent packages of measures adopted by the EU
- The reduction of transaction costs for remittances, given the important role these play in the economies of developing countries.
- The emphasis on the UN value added in addressing the crisis, via its focus on development.

- We support the reference in the report to the important role of the private sector in achieving the MDGs (para 47).

To conclude, the EU recognizes the difficulty the Co-Chairs faced in reflecting the rich discussion held by the working group over the space of several months in just a few pages. Indeed, we note that there would be room to improve the current draft along the lines just mentioned. Certainly, the EU maintains its trust and confidence in the Co-chairs and believes that the final report to be presented to the GA will provide a complete and refined representation of the many views expressed during this process.