

General Assembly
Ad Hoc Open-ended Working Group to follow up on the issues contained in the Outcome
of the Conference on the World Financial and Economic Crisis and Its Impact on
Development

Seventh meeting on
“Strengthening the role of the United Nations in global economic governance”
(New York, 2 & 4 June 2010)

Informal summary by the Secretariat

Overview. The meeting was co-chaired by H.E. Mr. Lazarous Kapambwe (Zambia) and H.E. Mr. Morten Wetland (Norway). The main issues addressed at the meeting were based in particular on paragraphs 1-2, 5-6, 11, 16, 32, 43 and 52 of the Outcome document. The Co-Chairs had offered the following questions for discussion: (1) the meaning of global economic governance; (2) which international economic challenges needed a regional response and which economic problems needed global solutions; (3) what had the economic crisis revealed about the role of the UN in global economic governance, its relation to emerging informal international structures and the fulfilment of its development mandate. Three panellists gave presentations on the topic of the meeting: Ms. Helen Clark, Administrator, United Nations Development Programme; Mr. Antonio de Lecea, Minister for Economic and Financial Affairs and Principal Advisor to the Head of the Delegation of the European Commission in Washington, D.C.; and Ms. Chrystia Freeland, Global Editor-at-large at Thomson Reuters. The presentations were followed by an interactive discussion among delegations. The Co-Chairs announced that a draft report of the Working Group would be completed by the end of June and finalized by the end of August to allow the PGA to disseminate the report for discussion before the start of the 65th session of the General Assembly.

Summary of the presentations by the panelists

Ms. Helen Clark, Administrator, United Nations Development Programme (UNDP), pointed out that what had started as a financial system crash became a full blown economic crisis. She noted that developing countries got caught in the recession with little fiscal space and social protection. Moreover, the crisis came on top of the fuel and food crisis of 2008 and the effects of climate change, giving rise to a period of concurrent crises. Global public policy therefore needed to deal with internationally connected challenges that cut across the social, environmental and economic spheres.

However, according to Ms. Clark, global governance systems were struggling to adapt in the face of multiple challenges. The world therefore needed to update these global governance systems that had largely been set up after World War II, in particular, reform of the UN Security Council. While the G20 came to the fore after the crisis, it needed to interface in a meaningful way with countries left out of the group. The UN could play an important role here and ensure that G20 was informed of the views of the broader community of States. She underscored the importance of UN interface with the G20. Among other things, the UN could also provide insights from a field perspective, given its country presence. The UN itself also needed to carry

out reforms such as reform of ECOSOC as a priority. Indeed, the Council had not developed in the way that its founders would have envisaged.

Ms. Clark also referred to the contribution of the UN system in responding to the current crisis. She pointed out that one of the greatest strengths of the UN system rested with its country programmes which, where coordinated, would enhance the crisis response of the UN. In particular, she highlighted the contribution of UNDP to the nine joint crisis initiatives through, for example, the support to ILO's Global Jobs Pact as well as through measures to encourage sustainable development by promoting small and medium enterprises. According to Ms. Clark, the economic crisis had highlighted the value of UNDP's ongoing long-term development work.

Mr. Antonio de Lecea, Minister for Economic and Financial Affairs and Principal Advisor to the Head of the Delegation of the European Commission in Washington, D.C., pointed out that the European Union (EU) effectively pushed to shape a globally coordinated response to the crisis and to frame its own response within this global effort, namely within the UN, the G20 and the G8. In order to restore financial stability and global growth, the EU launched a coordinated European Economic Recovery Plan at the end of 2008. An underlying principle of the Plan was solidarity and social justice to help those most in need, by protecting jobs and addressing the long-term job prospects of those losing their jobs. Moreover, in the wake of the Greek crisis, the EU developed, together with the IMF, the institutional instruments to deal with a debt crisis. In order to deal with the threats to the stability of the euro and the financial system, the EU agreed on a 750 billion euro package; the Central Bank independently changed its policy with regard to sovereign bonds; and two member States announced extra cuts to their fiscal deficits.

Mr. de Lecea pointed out that, in order to mitigate the effects of the crisis on developing countries, the EU had led important initiatives to support developing countries within the G20. Among others, these include coordinated efforts at reinforcing the resources, financial facilities and governance of the international financial institutions (IFIs), supporting full relief of Haiti's debt to IFIs, and setting up a Financial Inclusion Experts Group to identify lessons learned on innovative approaches to providing financial services to the poor and small and medium enterprises (SMEs), to promote successful regulatory and policy approaches and to elaborate standards on financial access, financial literacy and consumer protection. Other measures taken by the EU to cushion the impact of the crisis on developing countries included delivering on the commitment to provide duty-free and quota-free market access to all products from LDCs and reaching collective targets on trade related assistance and high levels of Aid for Trade. The EU also set up and was implementing a short-term ad hoc mechanism, named Vulnerability Flex, to support the most vulnerable countries with poor resilience capacity, with a view to enabling them to maintain priority spending, notably in the social sectors.

On the role of the UN, Mr. de Lecea stressed that the UN's inclusiveness and legitimacy as the only forum where all countries could come together to discuss and agree on important global issues gave it incomparable value, especially in development issues. He acknowledged that the UN played a central role in the response to the impact of the crisis on development through its development system and specialized agencies. A key issue was to strike the right balance between legitimacy and effectiveness. In this regard, the UN complemented the IFIs and

should continue to increase and improve its cooperation with the IFIs. Moreover, he pointed out, proper organization of work within the UN was essential and duplications and overlaps between follow-up activities by the General Assembly and ECOSOC should be avoided. Finally, Mr. de Lecea stressed that the systemic reforms decided at the 2005 World Summit should be fully implemented, including those related to the transparency, representativeness and effectiveness of the principal UN bodies.

Ms. Chrystia Freeland, Global Editor-at-large at Thomson Reuters, pointed out the preoccupation with issues related to the activities of big financial institutions that sparked the crisis. However, in reality the issue was more complicated. Many financial institutions could see problems looming but were powerless to act due to internal pressures. To counter these, Chuck Prince, the CEO of Citigroup, had actually urged US regulators in 2007 to place limits on leveraged lending. Thus, there were structural limits on what financial institutions could do to limit leverage.

Ms. Freeland also pointed out that in recent years business had become more global than political structures. That is, existing political structures had not kept pace with the speed of globalization. Hence, despite the international dimensions of the current crisis, the responses to it had been remarkably national. For example, the US financial reform process had not referred much to lessons from other countries, such as Canada, the only G7 nation which did not have to bail out its banking system.

With respect to the role of the UN, Ms. Freeland mentioned that the financial press tended to focus on those institutions, such as IMF, with the financial resources to make a difference when the crisis developed. Nevertheless, she pointed out that the UN could have a role in providing ‘thought-leadership’. In this regard, she identified some issues that the UN could discuss and take forward. The first issue would concern the ways in which there was a dangerous race to the bottom as a result of financial centres competing with each other in order to loosen regulation. A second pertinent issue could be global financial imbalances and the steps needed to prevent them from building up again. Finally, according to Ms. Freeland, it would also be pertinent for the UN to provide thought-leadership on the issue of income inequality, both between and within nations. This could provide one of the biggest challenges to further opening up the world economy.

Summary of discussion

The representative of **Yemen** (speaking on behalf of the **G77 and China**) pointed out that, by virtue of its inclusiveness, legitimacy and mandate, the United Nations was well positioned to play a central role on economic and financial affairs and to address the global economic challenges. Moreover, the UN Charter specified that the role of the UN included achieving “international cooperation in solving international problems of an economic, social, cultural or humanitarian character”. According to the speaker, the deep social impact of the global financial and economic crisis and the accompanying environmental challenges required a truly global, universal and integrated response. In this context, the UN must play the central role and had the legitimacy to deal with global economic governance and development.

According to the G77 and China, for the United Nations to fulfill its role, Member States must commit to working in solidarity on coordinated and comprehensive global responses to global economic governance issues and to undertaking actions aimed at strengthening the role of the UN development system in responding to global crises and their impact on development. For this, the UN must also be equipped with the necessary resources and capabilities to effectively and quickly address global challenges. Moreover, an appropriate follow-up mechanism should be established within the UN to bridge the gap between policy making and implementations of commitments. In this regard, it was also important for Member States to support the UN to build on and strengthen the Financing for Development process.

The speaker also stressed that the UN development system's comprehensive crisis response should be further developed to support national development strategies through a coordinated approach by UN funds and programmes, specialized agencies and the international financial institutions, including at the country level. It was also important to safeguard and build upon hard-won economic and development gains to date, including the progress achieved towards the MDGs.

The G77 and China underscored the urgent need to review the agreement between the United Nations and the Bretton Woods institutions (BWIs) in collaboration with these institutions, focusing particular attention on the mechanisms for enhancing coordination and cooperation between the United Nations and the BWIs, as well as the opportunities for contributing to strengthening the development mandates and effectiveness of both institutions, as part of the ongoing process of reforming and strengthening the international financial and economic system and architecture.

The Permanent Representative of **Singapore** made a statement on behalf of the informal **Global Governance Group** (3G). He pointed out that the actions and decisions of the G20 had implications beyond its membership and the closed proceedings of the G20 had given rise to some concerns from the UN membership. It was against this background that the 3G came together in the hope of developing a constructive dialogue on coordination and cooperation between G20 and non-G20 members and ensuring that the G20 enhance and not undermine the UN. Given the complexities and interdependencies of the global economy, it was important for the G20 to be consultative, inclusive and transparent in its deliberations for its outcomes to be effectively implemented on a global scale.

The 3G raised several ideas on how to improve the engagement between the G20 and the UN. First, the G20 should undertake consultations as widely as possible with non-G20 members before the G20 summits through regular and predictable channels. The hosts of the G20 Summits should also provide the rest of the UN membership with an update after the meetings. Second, the participation of the UN Secretary-General and his Sherpa at the G20 Summits and preparatory meetings respectively should be formalized. Third, the participation of regional organizations in G20 Summits should be regularized. Fourth, the G20 decision-making process should take on a “variable geometry” configuration to allow non-G20 states to participate in Ministerial gatherings and other working groups involving senior officials/experts on specialized issues.

The speaker concluded by pointing out that, for the UN to remain at the forefront of any discussion on global governance, it must continue to take steps to become more effective and nimble to face global challenges.

The representative of the **Republic of Korea (ROK)** called for a more active role of the UN in establishing a new global governance system. He expressed the view that the UN should also respect the reality of the establishment of new international bodies to address global crises. He saw the forthcoming G20 summits in Canada and ROK, following commitments made at earlier summits, as establishing the validity of the G20. He emphasized that ROK, as host of the summit in November, was ready to contribute to the process and to be a bridge between emerging and developing countries and developed countries.

The speaker stressed that G20 should cooperate with the UN as their mandates were complementary. He informed that efforts at the Seoul Summit would focus on: maintaining economic support for recovery; ensuring strong, sustainable and balanced global growth; building a stronger international financial regulatory system and modernizing the architecture for international economic cooperation. He expected that the Summit would also add two new initiatives to the G20 agenda on development and financial safety nets. He elaborated that the former was essential in a global rebalancing of gaps in income and development among countries through trade, investment in infrastructure and growth. The latter was crucial in easing the cost to small open economies that needed to generate large external surpluses for self-insurance against international financial volatility. The Global Impact and Vulnerability Alert System (GIVAS), requested by the G20 to be established by the UN, could be used as an early warning tool on financial shocks to complement a global financial safety net.

ROK welcomed Canada's invitation to the Secretary-General to attend the upcoming G20 Summit in Toronto and announced that the Seoul Summit would follow suit. He also called for making G20 summits as inclusive as possible. In this connection, in the lead-up to the Seoul Summit, out-reach meetings would be convened in New York, beginning in early July.

The representative of **Chile** (speaking on behalf of the **Rio Group**) emphasized the central role of the UN in the process of reform of the global financial and economic system in the wake of the international financial crisis, both to ensure coordination and coherence among diverse policies being implemented and the development of a comprehensive view based on a democratic process and universal membership. The Rio Group reiterated its support for the central role of the UN in discussions on global economic governance and, in particular, the General Assembly as the natural forum to discuss issues of global significance, including those related to the economic and financial crisis. He called for the Secretariat to produce a study on this issue, taking into account the best options to ensure the central role of the UN with regard to global economic governance.

The representative of the **European Union** highlighted the importance of the Outcome document in providing the basis for UN contributions to bringing coherence to the diverse processes and initiatives related to the international crisis and for UN inputs into the international discussions on responses to the crisis and prevention of a recurrence of global financial crises. He reaffirmed continued EU's engagement in all the international fora addressing these issues,

with due regard to their respective mandates, and EU's commitment to their reform, in cooperation with all partners. He also reaffirmed EU's commitment to playing a continued constructive role in responses to the crisis.

The speaker saw the G20 as the premier forum for international economic cooperation, having coordinated global policy responses to the crisis with a view to achieving strong, sustainable and balanced growth. It had also adopted important initiatives to support developing countries, particularly low-income countries, during the crisis. These included: reinforcing financial resources and reforming lending facilities of the BWIs; providing full relief of Haiti's IFI debt; adding a development perspective to the Framework for Growth aimed at reducing the income gap between developed and developing countries; assessing the scope for strengthening Global Financial Safety Nets to help respond to financial volatility; identifying lessons learned in innovative approaches to providing financial services to the poor and small and medium enterprises; keeping markets open and fighting protections, successfully concluding the Doha Round in 2010 and providing financing to make available trade finance. The EU expressed strong interest in discussions of strengthening the development agenda of the G20 by reinforcing implementation of current initiatives and exploring taking on additional ones.

The representative noted that the UN's inclusiveness and legitimacy gave incomparable value to its discussions and therefore it had an important role to play in global economic and financial governance. He also acknowledged its central role, through its development system and specialized agencies, in the international response to the impact of the crisis on development. An effective response depended on cooperation within the UN development system and among UN bodies. The speaker stressed that the EU welcomed an active role for the UN in the G20, including the attendance of the Secretary-General at the summits and UN participation in the Sherpa process. He welcomed continuing outreach efforts by G20 hosts. He also welcomed ongoing UN work on GIVAS.

He supported continued increase and improvement in cooperation between the UN and the IFIs, as called for in the Outcome document, because of their complementary functions. The EU was encouraged by the very positive experience of the 2010 ECOSOC Spring Meeting with BWIs, WTO and UNCTAD, which catalyzed a strengthening of exchanges and cooperation between the UN system and the BWIs. These should be built on and more emphasis should be placed on cooperation at the country level. He pointed out that as this issue of cooperation and follow-up to the UN Conference on the world crisis had been entrusted to ECOSOC, proper organization of work within the UN was crucial, especially in order to avoid duplications in follow-up activities by the GA and ECOSOC. He expressed the EU's view that it was essential to implement fully system reforms of the UN, decided at the 2005 World Summit, including the transparency, representativeness and effectiveness of the principal UN bodies and move forward on system-wide coherence.

The representative of **New Zealand** welcomed the attendance of the Secretary-General at G20 summits. He was also pleased that the President of the ECOSOC took part in the 2010 Spring Meetings of the BWIs. The speaker noted that the G20 had critical mass, speed and effectiveness. At the same time, he stressed that the G20, unlike the UN, was neither a global nor a universal organization and that the UN was able to deliver outcome on the ground through its

agencies. The challenge for the UN was to deliver timely and relevant contributions. The UN must offer meaningful, workable, cost-effective and market-friendly solutions while avoiding duplication by working within its expertise and mandate. The UN should have a leading role in promoting economic and social development. The speaker also underlined the importance of successful conclusion of the Doha Round and stressed that protectionist measures, especially in agriculture, should be avoided.

The representative of **Guatemala** pointed out that one role that the UN performed well was monitoring development as it evolved, such as in the annual publication of the *World Economic Situation and Prospects*. This was important as the international community should be vigilant regarding global economic performance. He highlighted the considerable evolution of the BWIs in the last 18 months in terms of governance, policies and massive increase in resources. However, the General Assembly and ECOSOC still had difficulty working together with the BWIs in the field and in policy because of the divide between the ministries of finance and foreign affairs at the national level. With regard to the G20, the speaker urged the UN to start engaging with informal or ad hoc international country groupings. He called for reviving and considering the recommendation of the report of the Commission of Experts of the President of the General Assembly on the Reform of the International Monetary and Financial System regarding the creation of a Global Economic Coordination Council.

The representative of **San Marino** underscored that the UN must be at the centre of any discussions of issues that affected Member States. He noted that the UN was the first and last line of defence in inclusiveness of global governance.

The representative of **Kazakhstan** noted that economic globalization had outpaced the growth of global governance resulting in the need for representative international organizations, with the UN as the most representative. As the UN was created through its charter to deal with international cooperation in the broadest sense, it should be the basis of any future governance format. Within the UN, ECOSOC should be strengthened as part of global governance reform. He was favourable towards the participation of the Secretary-General and his Sherpa in the G20 Summit in Canada.

The representative of **Canada** emphasized that the UN had a unique perspective on the impact of the financial crisis on countries and the challenge of the recovery. Its most effective contribution in this respect was based on the collective voice of the Member States. He stressed that Canada wanted to ensure the inclusion of the UN in the upcoming G20 Summit. He also noted that many outreach meetings had been convened with five rotating invitations to heads of regional groups. The number of international organizations invited to the summit included WTO, IMF, World Bank, Financial Stability Board, ILO and OECD. He reiterated that the work of the G20 and that of the UN were complementary in building stability in the international economy for all.

The representative of **Botswana** reaffirmed the paramount role of the UN in the global governance structure, including in developing international standards, regulations and norms and promoting their implementation, while the BWIs' responsibility was the regulation of behaviour of actors in the international financial system. She stressed that all international organizations

should be based on representation and inclusion. She expressed the view that the financial crisis presented a challenge that had not been dealt with effectively by existing international institutions and that national, regional and international institutions needed more political interaction. In this regard, the UN system and its agencies had the legitimacy to tackle multi-faceted problems of the crisis and development.

The representative of **Argentina** recalled that the international financial shock from the crisis led to the coordination of economic policy under the G20, which was commensurate with the need. He believed that the UN, through ECOSOC, must fulfil its key role in global governance. Therefore, the G20 and UN should cooperate so as to benefit from the UN's expertise in development, especially from its work in the field and from G20 policies in response to the crisis. The speaker was pleased that the UN would be participating in the upcoming G20 Summit in Canada. He noted the advantage of transparency at the UN but at the same time quick action was constrained by the need to take into consideration views of all Member States. He asked whether there could be some changes in the decision-making process to allow for prompt action, especially in response to crises.

The representative of **Venezuela** asked for a meeting as soon as possible to further explore the issue raised by the representative of Argentina. In this connection, he noted the UN's capability to contribute solutions to conflict situations. He expressed the view that the UN had the imperative to overcome the problems of timely action, which was the result of the democratic nature of its decision-making process. He also underscored the need for a balance in international debates by including proposals from both developed and developing countries. He stressed that the G20 must have respect for the UN as G20 member countries were embraced and included by the UN Charter; therefore, there was a need for another conference to debate these issues. The speaker also noted that international economic recovery from the crisis had started but countries of the South could not implement counter-cyclical policies like those of the North.

The representative of **Switzerland** underscored the value added of the UN in bringing all stakeholders together and its capacity to build linkages between development and environmental issues, among others. He also stressed the important role of the UN in developing standards and promoting their implementation. He noted the UN's role in monitoring, leading to global partnerships among private, non-governmental and governmental stakeholders and coordinating field efforts with the BWIs. He further emphasized the complementarity between the UN and the BWIs, WTO and G20.

The representative of the **Russian Federation** noted that the crisis made clear that there was still a need for informal policy leadership and a new international governance format. Fulfilling the UN mandate of promoting the interests of all member states combined with achieving the goal of just and sustainable development of the global economy required the coordination of financial and social policies. Hence, he stressed the importance of the role of the UN, especially ECOSOC, in ensuring a coherent approach.

The representative of **Egypt** called for strengthening the UN's role in coordination of international efforts to address issues in the Outcome of the June Conference. He pointed out that the legitimacy of the UN as a body providing the best forum for addressing economic, financial

and social issues, since international governance in multilateral trade and financial issues remained unbalanced. He favoured a more inclusive approach to international cooperation, by including developing countries, especially African countries, in decision-making to address international crises. The speaker posed a question to Mr. de Lecea on the recent decline in ODA to Africa and the outlook for EU's ODA commitments.

The representative of **Nepal** stressed the need for more comprehensive reform of IFIs to enhance voice and representation of developing countries. He also noted that the crisis provided an opportunity for global governance reform, including enhancing the coordinating role of the UN. The UN should be central in collective global action.

In response to the questions raised in the discussion, **Ms Freeland** observed that the G20 process had traditionally been viewed as a broadening of the global dialogue in comparison with the G7 and G8. However, the discussion suggested that this perspective may be simplistic since many non-G20 UN Member States felt disempowered as a result. In particular, the vulnerability of small nations to this crisis had been apparent, e.g. Greece and Iceland.

On his part, **Mr. de Lecea** pointed out the need to balance the legitimacy of the UN with the effectiveness of smaller groupings like the G20, the need for the UN to coordinate with the G20 and the importance of tackling the vested interests that would gain from deregulation in order to prevent a race to the bottom in terms of deregulation. In the case of Europe, much more needed to be done to resolve the financial crisis. As a result, some countries may not be able to meet their ODA targets. The EU nevertheless maintained its commitment to attain the 0.7 per cent ODA target by 2015.

The representative of **Lichtenstein** noted that the G20 should be more consultative, inclusive and transparent. The speaker supported the call by the 3G for inclusive exchange between the G20 and the wider UN membership.

The representative of **Pakistan** called for comprehensive reform of BWIs, WTO and other international organizations using equity based approach. He stressed the importance of increasing cooperation and coordination between the UN and other international organizations. The speaker did not oppose the decision-making in exclusive forums. However, these decisions should not be imposed on non-members. He also stressed that Pakistan did not support the UN observer status at the G20 and noted that to be invited to participate in some exclusive forums was not an appropriate role for the UN. Besides, the representation of the UN by the Secretariat was not appropriate either. Moreover, representation alone was not enough and the UN should participate in decision making. He underlined several principles of good global governance: inclusiveness, equity, people-centered approach and balance between the role of governments, markets and civil society. He supported the creation of the Global Economic Council.

The representative of **Indonesia** stressed that in the absence of a global coordination mechanism the G20 took up this role. He noted that the UN was already playing an important role in development issues. The speaker emphasized the importance of enhancing the UN coordinating role to better utilize synergies between different issues (investment, trade,

employment, etc.). There should be the political will to commit to the UN process. He echoed some other speakers in underscoring that decision-making at the UN should be more efficient.

The representative of **Mexico** noted that, as expressed in the Rio Group statement, it was important to emphasize the central role the United Nations should play in the reform process of the global financial and economic system because of its universal nature. Nevertheless, to overcome the present crisis, it was needed to find effective and efficient schemes and, in that context, the G20 and similar regional or sub-regional organizations were helpful, without questioning the commitment of its members to multilateral diplomacy. He acknowledged the work of the G20 host countries in their efforts to propagate information and transparency of its meetings and deliberations and suggested that those efforts should be maintained. He said that his delegation supported the participation of the UN Secretary-General and his Sherpa in those meetings. He also mentioned that the discussion of these issues in an open, frank, transparent and positive manner would help the UN in its own deliberations. He expressed support for the work of the BWIs and maintained that the UN should emphasize its work in development.

The representative of **Ecuador** stressed that the UN had the greatest legitimacy in global economic governance, and that it did have the expertise, through the ECOSOC, to handle the reform process of the global financial and economic system. He complained that the majority of interventions in this meeting spoke little about the role of the UN in global economic governance and most were directed at the work done by particular countries and by smaller restricted groups. He also pointed out that the Panel for this meeting was not balanced since all speakers were from the North and that there should have been representation from the South. He expressed support for the PGA Commission of Experts' proposal to create a new global economic coordinating council, which should handle the reform process, but acknowledged that they did not see the political will to advance.

The representative of **Venezuela** expressed support for the interventions of Pakistan and Ecuador and inquired about the request of the G77 about the continuation of the follow-up process to the Conference on the World Financial and Economic Crisis and Its Impact on Development.

Ambassador **Kapambwe** responded that the future of the process would depend on future consultations conducted by the Co-facilitators. After completion of the consultation process they would revert to the membership to discuss what to do next.

Paul Bekken, representing Ambassador Wetland, summarized the result of this meeting and highlighted three areas of importance in the discussion: inclusiveness of all parties; coherence and coordination of different bodies; and effectiveness in terms of solutions to the challenges.

Ambassador **Kapambwe** closed the meeting after informing participants that there would be a draft of the conclusions of all the meetings of the Working Group by the end of June, to be finalized by the end of August, to allow the PGA to disseminate the report and discuss it before the start of the 65th session of the General Assembly.