2010 Substantive Session of ECOSOC: Coordination Segment
Item 6 (a): Follow-up to the International Conference on Financing for Development

Informal Summary

In its resolution 2009/30 on "A strengthened and more effective intergovernmental inclusive process to carry out the financing for development follow-up", the Economic and Social Council decided that "consideration of the agenda item on financing for development should be given more prominence in the work of the annual substantive session of the Council and should be allotted up to two full days". Accordingly, on 7 and 8 July, the Coordination Segment of the 2010 Substantive Session of ECOSOC took up item 6 (a): Follow-up to the International Conference on Financing for Development, including two panel discussions and a general debate.

Panel discussion 2: Global Economic Governance

The second panel discussion on "Global Economic Governance", which took place on 8 July 2010, was also chaired by Amb. Morten Wetland (Norway) as Vice-President of ECOSOC. The panellists were: Mr. Sha Zukang, Under-Secretary-General for Economic and Social Affairs, United Nations; Amb. Vanu Gopala Menon of Singapore; and Mr. Michael Green, Economic Commentator on Global Finance, International Development and Philanthropy.

Mr. Sha highlighted the severe impact of the food, energy, climate, financial and economic crises on development. These crises had exposed the weaknesses in the international financial and economic system. Global economic governance needed to reflect the greater economic importance of developing countries, as well as emerging challenges like climate change and new demographic realities. While Governments had acted in a spirit of multilateralism in response to the global crises, most measures were taken by the G20, a self-selected, informal grouping, in which more than one third of the world's population and 85 per cent of its countries had no voice. According to some views, the United Nations inclusive, global membership had been an impediment to taking timely and effective decisions. However, the G20 and the Untied Nations could play their respective roles in the ongoing recovery and reform efforts. Legitimacy and effectiveness did not need to be mutually exclusive.

The United Nations inclusiveness and long-standing institutional strengths gave great value to its discussions and negotiated agreements, to its operational activities as well as research and analysis. Successful outcomes of the 2002 and 2008 International Conferences on Financing for Development, as well as the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development were some of many examples where the United Nations had made a contribution towards a more equitable global economic system. In concluding, Mr. Sha raised three points for reflection regarding the possible modalities of engagement between the G20 and the United Nations, the role of ECOSOC in global economic governance and the idea of establishing a small but representative group on the basis of constituencies that would meet at the summit level during the annual sessions of the General Assembly.

Mr. Menon recalled the United Nations response to the recent crisis, including through the Conference on the World Financial and Economic Crisis and Its Impact on Development held in June 2009. Also in response to the crisis, the G20 had assumed an increasingly active role in catalysing global actions, which ultimately helped avert a global economic depression. Some UN Member States were concerned that if the G20 continued to "gain legs", this exclusive grouping could challenge and perhaps even undermine the United Nations. At the same time, its track record in other areas of international economics had been mixed. For example, there was a lack of progress in multilateral trade negotiations and new protectionist measures had been introduced, despite declarations to the contrary. More recently, at the Toronto Summit, the G20 decided to include the issue of development on its agenda. While a few States had expressed some concern that the G20 was straying off the narrow path of banking reform and managing the global financial and economic situation, the speaker considered it a positive and important development, which might benefit the relationship between the G20 and the United Nations.

Since the United Nations remained, thanks to its inclusiveness and legitimacy, best positioned to drive the development agenda, the G20's endeavours in development should build on and complement the United Nations existing work on development like the ECOSOC's Development Cooperation Forum and the Financing for Development follow-up. Notwithstanding its intellectual resources, mandate and global reach, the United Nations could still become irrelevant if it did not fulfil its potential to lead. In this connection, the Global Governance Group (3G) had stressed the necessity for the Untied Nations and the Secretary-General to bring substantive contributions and ideas to the G20 summits in order to create a two-way engagement. In this regard, the United Nations had made progress by mandating ECOSOC last year to consider measures to strengthen the United Nations response to the crisis. Nevertheless, more reforms were necessary to improve its capacity to better adapt to new global challenges.

Mr. Green noted that according to the IMF's forecast, the GDP was to grow at 4 ½ per cent rate in 2010 but due to the withdrawal of stimulus packages around the world, it was now expected to grow at a slower pace. Moreover, the IMF warned that sovereign and financial sector risks in parts of Europe could pose further challenges for global financial markets. In this connection, the panellist highlighted that economic stimulus measures needed to continue since early withdrawals could jeopardize the fragile global recovery. However, Governments had to keep a watchful eye on inflationary pressures as well. Mr. Green emphasized that new financial regulations should encourage more prudent lending. Yet, he warned that clumsy regulation could impede the efficient allocation of financial resources in the future. International trade faced particular challenges through the introduction of new protectionist measures by many countries in response to the crisis. The fundamental problem, however, remained the role of the US Dollar as the major reserve currency, which had fuelled global imbalances.

History offered various examples of international efforts intended to create a more coherent global reserve system, albeit with limited degrees of success. For example, the International Monetary Conference of 1878 unsuccessfully sought to address the gold shortage, which was widely believed to have contributed to the Long Depression of the 1870s, through the introduction of the bimetallic standard. Since the collapse of the gold standard in 1933, the track record of global economic governance had been even poorer. Introduced in 1944, the Bretton Woods system, whose terms were dictated by the United States, did not succeed in establishing a permanent, fully negotiated monetary order for currency relations between sovereign States, and disintegrated in 1973. Today's world had no ultimate creditor and was inherently unstable. Therefore, Governments needed to overcome inertia and come together to tackle important fundamental reforms that could pave the way for a new global reserve system and more coherent global economic governance. Creditor and debtor concerns must be equally taken into account. The challenge reached beyond the agenda of the G20 and therefore the United Nations had an important contribution to make.

The presentations were followed by **an interactive discussion**. Some delegates questioned whether the G20 should concern itself with development since the Group suffered from a representational deficit, particularly in terms of the participation of the least developed countries, land-locked developing countries, small-island developing States and other countries with special needs. Questions of development should therefore remain the prerogative of the Untied Nations system. Other speakers emphasized that the willingness of the G20 to discuss challenges of developing countries was a positive development as it provided a natural platform for engagement between the Group and the United Nations. However, the G20 should take into account the development outcome documents from the United Nations summits, such as the MDG Summit in September 2010 and the "Rio+20" Conference in 2012.

Several delegates emphasized that the recent crisis was also intellectual, in that it illustrated the flaws of the neo-liberal paradigm with its over-reliance on market forces. Reform efforts must find a delicate balance between the promotion and the regulation of market forces. Other delegates agreed that the current reserve system was an important source of global imbalances. In this connection, some delegates suggested exploring the potential of Special Drawing Rights (SDRs).

Several speakers highlighted that the current global economic system was fragmented, inconsistent and incoherent. This extended to the national level, where different ministries frequently held different opinions on important economic and financial matters. Therefore, some delegations called for an effective global economic coordination mechanism. While several participants suggested that ECOSOC could fulfil that role, others called for new institutional mechanisms. Moreover, it was noted that the global economic system was inequitable and that developing countries should have greater voice and participation within the international financial institutions and other fora.

There was a convergence of views that no other forum had the inclusiveness and legitimacy of the United Nations system, which consequently was uniquely placed to promote the international development agenda and discuss issues of global economic governance. Political will could turn the United Nations into a more effective forum in the field of global economic governance, yet, groups like the G20 would likely remain also relevant since speedy economic and financial measures were difficult to agree upon and implement within a forum comprising 192 member countries. Given this reality, many delegates emphasized that the G20 and the Untied Nations should complement each other and that possible ways of interaction at the Secretariat and intergovernmental levels should be explored.

Several **concrete proposals** were made to strengthen the United Nations role in global economic governance. As the Financing for Development process was considered a proper platform for discussions of global economic governance, it was proposed to create a Financing for Development Commission in order to enhance the effectiveness of the intergovernmental follow-up process. Other speakers supported the idea of the regular Summit-level meetings, based on regional constituencies during the annual sessions of the General Assembly, which could become an integral part of the Financing for Development process. Finally, civil society representatives proposed to convene the G20 meetings at the United Nations Headquarters in New York and donating the savings borne by the G20 presiding country for development purposes.

General debate

The general debate on the Financing for Development agenda item, held on 8 July, focused on the topics of both panel discussions, as well as the successful outcomes of the Special High-level meeting of ECOSOC with BWIs, WTO and UNCTAD (New York, 18-19 March 2010) and the fourth High-Level Dialogue of the General Assembly on Financing for Development (New York, 23-24 March 2010).

There was a general recognition of the strong link between the Financing for Development process and the achievement of MDGs in the run up to the September Summit. Many delegations highlighted the negative impact of the financial and economic crisis on development in general and on the gains achieved towards the MDGs in particular. In this regard, the need to ensure the availability of increased resources for financing development was repeatedly emphasized. Some speakers raised the issue of the impact of the financial crisis on jobs and unemployment, welcoming the ILO’s Global Jobs Pact. Many delegations commented on the evolving role of the G20 and stressed the need for intensifying a dialogue between the United Nations and the G20 in the interest of development.

Some delegations stressed the need for global policy coordination in monetary, financial and trade matters, and for a more inclusive approach towards building a new global financial architecture. Others called for deeper involvement of the BWIs and WTO in matters related to financing for development within the ECOSOC framework.

Many delegations stressed the importance and relevance of the regional integration and trade in the context of financing for development, as well as the importance of combating harmful tax practices and tax avoidance. Also, the issue of promoting the role of the private sector to furthering development and the attainment of the MDGs was stressed, including innovative partnerships. In this connection, the special role of the United Nations Global Compact was recalled, especially in promoting corporate social responsibility.

Some delegations referred to the important role of South-South cooperation and called on non-DAC donors to report officially on their ODA activities. Other speakers emphasized fundamental differences between North-South and South-South cooperation, interms of their respective purposes, principles and modalities.