

**Executive Committee on Economic and Social Affairs
Macroeconomics and Finance Cluster
1st Videoconference
Tuesday, 16 May 2006 (9 a.m.-10:30 a.m.)
New York, DC-2 Building, 23rd Floor Conference Room**

Chaired by Rob Vos, the Convener

Participants:

1. Heiner Flassbeck, Officer in Charge, Division on Globalization and Development Strategies, UNCTAD
2. Ravi Ratnayake, Director, Poverty and Development Division, ESCAP
3. Hiren Sarkar, Chief, Development Policy Section, Poverty and Development Division, ESCAP
4. Syed A. M. Nuruzzaman, Socioeconomic Analysis Section, Poverty and Development Division, ESCAP
5. Rumén Dobrinsky, Economic Cooperation and Integration Division, ECE
6. Robert Shelburne, Office of the Executive Secretary, ECE
7. Osvaldo Kacéf, Officer in Charge, Economic Development Division, ECLAC
8. Ali Kadri, Economic Analysis Division, ESCWA
9. Rob Vos, Director, Development Policy and Analysis Division, UN-DESA
10. Alex Trepelkov, Chief, Multi-stakeholder Engagement and Outreach Branch, Financing for Development Office, UN-DESA
11. Pingfan Hong, Chief, Global Economic Monitoring Unit, Development Policy and Analysis Division, UN-DESA
12. Ana Cortez, Acting Chief, Development Strategy and Policy Analysis Unit, Development Policy and Analysis Division, UN-DESA

Conclusions and Next Steps

1. Rationalizing the distribution of labour in the area of finance

- The cluster agreed that while DESA and UNCTAD were tasked with providing global perspective and ensuring coherence in the area of finance within their respective mandates, the role of RCs in this area was clearly defined as providing regional perspective on issues of FfD and ensuring that it was transmitted to the country level. The regional inputs should be strengthened and better integrated into DESA's work in this area as appropriate.
- The issue of the distribution of labour in the area of finance between UNCTAD and DESA was discussed by the two entities prior to the videoconference. They came to the conclusion that this issue could not be resolved by the cluster itself and the guidance from EC-ESA Deputies and Principals will be required.

- Clarification will also be sought from the Principals regarding the meaning of paragraph 69 of the S-G's report (see the summary of discussion for details) as well as that of paragraph 64.

2. Improved coordination in the preparation and publication of the *World Economic Situation and Prospects* (WESP) and unified view on the world economic outlook and macroeconomic policy implications

The cluster agreed that although there has already been substantial progress in collaboration on preparation of WESP, there still was room for improvement in this area. In this sense, the cluster arrived at the following recommendations:

- Greater efforts will be made to provide unified view on the world economic outlook and macroeconomic policy implications throughout the cluster. Concretely:
 - All entities would refer to the common set of issues, identified in WESP, in the relevant publications. This will not preclude bringing new ideas for discussion and addressing specific regional issues.
 - All entities will rely on and make reference to the common set of projections of global economic trends provided by the WESP. In cases when it is necessary to depart from the projections used in WESP, the reference will be made to these projections with an explanation that the situation has changed and for what reason.
 - Coordination between the entities will also comprise the mid-year update of WESP.
 - How far the cluster should take the objective of reaching a “unified view” would be further discussed during the preparatory meetings for the WESP.
- There will be more substantive discussions during the preparatory process for WESP to ensure better quality and greater ownership by all the author organizations. For that purpose, there will be a two day preparatory meeting early in the process and based on this discussion the outline of WESP will be adjusted. Decision will be made shortly on timing and location of the meeting for WESP 2007. The most likely possibility is around ECOSOC meeting in July 2006 but this needs to be confirmed.
- There will be full coordination in terms of timing and content between WESP and the annual Economic Surveys prepared by RCs. The TDR will limit its chapter on global outlook to a summary of projections included in the mid-year update of WESP. The concrete arrangements of this coordination remain to be worked out.

3. Improved coordination on preparation of flagship publications

- Outlines will be exchanged early on in order to identify overlaps as well as possible areas of collaboration.

- A detailed time schedule will be compiled reflecting planning cycle for each flagship publication. Based on this, the coordination meetings will be scheduled.

4. Program of work for the Macroeconomics and Finance Cluster of EC-ESA

- The cluster will hold at least two meetings per year: one actual meeting for which the location would be determined on rotating basis and one videoconference. Additional meetings may be organized on the occasion of major system-wide events.
- The next meeting will be held in Geneva during the ECOSOC substantive session in July 2006. The date of the meeting and availability would be confirmed electronically in the near future.

5. Other

- Discussion regarding coordination of the cluster's activities in priority area of "support to national development strategies" would be taken up after conclusion of the inter-governmental negotiations regarding the reform of ECOSOC.
- Discussion of the options for possible re-grouping of clusters might be taken up in a next meeting.

Summary of Discussion

The objective of this videoconference was to agree on concrete recommendations for decision-making at the meeting of EC-ESA Deputies on 24 May regarding ways of streamlining and rationalizing the cluster's activities in line with: 1) the S-G's report on *Mandating and delivering: analysis and recommendations to facilitate the review of mandates* (A/60/733), paragraphs 63-69 and 2) the Note to the S-G prepared by EC-ESA on UN response to the World Summit's outcome in the economic and social area: *Shifts in priorities and programmes and measures to enhance coherence in policy and action*, paragraphs 40-45.

It was decided that the discussion regarding coordination of the cluster's activities in priority area of "support to national development strategies" would be taken up after conclusion of the inter-governmental negotiations regarding the reform of ECOSOC. Also, options for possible re-grouping of clusters might be taken up in a next meeting.

- 1. Rationalizing the distribution of labour in the area of finance to ensure the most effective follow-up to the outcome of the Monterrey Conference (S-G's report, para 69; Note to the S-G, para 41)**

This item was included on the agenda in response to specific references made in the S-G's report on Mandate Review (para 69) and in the Note to the S-G prepared by EC-ESA (para 41). As this issue involved primarily the areas of competence of UN-DESA and UNCTAD, these two entities had a bilateral discussion and briefed the RCs about its outcome during the videoconference.

The cluster recognized that there existed fruitful collaboration between DESA and UNCTAD in the field of finance, among other things, in the preparation of the annual report of the Secretary-General on follow-up to and implementation of the outcome of the International Conference on Financing for Development. There is a meaningful distribution of responsibilities for this, which is to be continued.

The issue of further distribution of labour in the area of finance between cluster representatives from DESA and UNCTAD was discussed by the two entities prior to the videoconference (see appendix). They came to the conclusion that this issue could not be resolved by the cluster itself and the guidance from EC-ESA Deputies and Principals will be required.

During the videoconference a question was raised about the wording of para 69 of the S-G's report, namely "...greater efforts need to be made for a unified view on the world economic outlook and macroeconomic policy implications. Rationalization of functions in the area of finance is therefore needed...". More specifically, the questions was about implications of the use of word "therefore" for the interpretation of the word "finance" in this context. Paragraph 41 of the Note to the S-G prepared by EC-ESA, which reads "in the period ahead, attention will be given to improving the division of labour in the area of finance" was also recalled. This paragraph implies that the discussion concerns finance in its broader dimension. Additional guidance on this would be sought from EC-ESA Deputies and Principals.

Paragraph 64 of the S-G Report was also brought to the attention of the meeting which provided for going beyond the conventional wisdom with alternative thinking and policy proposals, as a reflection of the UN's multidisciplinary and multisectoral structure in economic and social intergovernmental bodies.

The cluster agreed that while DESA and UNCTAD were tasked with providing global perspective and ensuring coherence in the area of finance within their respective mandates, the role of RCs in this area was clearly defined as providing regional perspective on issues of FfD and ensuring that it was transmitted to the country level. It was also stressed that the global perspective should be based on the regional perspectives provided by RCs. In this context, a proposal was made that DESA take the lead in providing a forum to exchange the regional experiences in this area. DESA agreed that the regional inputs should be strengthened and better integrated into DESA's work. It was recalled that the Monterrey Consensus provided for two intergovernmental forums for the follow-up process: the biennial High-level Dialogue of the General Assembly on Financing for Development in which all RCs participated (in 2005 a separate report summarizing work of RCs was prepared as input to the Dialogue) and annual Spring

meetings of ECOSOC with BWIs, WTO and UNCTAD in which RCs were represented by their Coordinator (in 2006 it was the Executive Secretary of ESCAP). In the context of ECOSOC reform, the Development Cooperation Forum may provide additional forum for RCs participation. In the meantime, regional perspective should be better integrated in the annual report of the S-G on follow-up to and implementation of the outcome of the International Conference on Financing for Development and in the Note by the S-G for the Spring meetings of ECOSOC.

2. Improved coordination in the preparation and publication of the *World Economic Situation and Prospects* and unified view on the world economic outlook and macroeconomic policy implications (S-G's report, para 69; Note to the S-G, para 38-39 and 42)

The discussion under this agenda item focused on two issues: 1) the interpretation of the concept of “unified view on the world economic outlook and macroeconomic policy implications”, 2) improved collaboration on WESP and 3) update on the reform of Project LINK.

Several entities expressed concerns about the wording “unified view on the world economic outlook and macroeconomic policy implications” in the S-G's report on Mandate Review. Some of the concerns included the need to reflect peculiarities of specific regions (e.g. ESCWA region, which is unique in terms of huge fall outs from oil and problems containing these flows) and to encourage diverse and innovative ideas in UN's work (para 64 in S-G's report). The convener clarified that the “unified view” did not mean that there would be a “party line” which all entities would have to adhere to but that the cluster would work together on global outlook, would agree on what was likely to happen to world economy, what would be the implications for the developing countries and UN's recommendations on how these countries should respond.

Reliance on common set of assumptions would be the core component of this “unified view”. This view would be expressed in WESP. The entities would then refer to this common set of issues in all their publications, to which these issues were relevant. For example, if it were agreed in WESP that global imbalances posed major risk to global economy, this should remain a point of reference to be taken on board in all surveys prepared by the RCs as well as in TDR. It would not preclude bringing new ideas for discussion and addressing specific regional issues. The goal was not to send too many or contradicting messages as the UN system. How far the cluster should take this “unified view” would be further discussed during a preparatory meeting for WESP.

In this context, the discussion also focused on the suggestion that all entities rely on the same set of global projections. Some felt there was a problem with timing. The outlook might be outdated by the time regional surveys were to be produced. It was suggested that cases when there was a need to depart from the projections used in WESP, the reference should be made to these projections with an explanation that the situation has changed and for what reason. This way the confusion would be avoided (it happened in

the past that the external relations people called to ask why different numbers were used in WESP and the surveys prepared by RCs).

A concern was also raised that preparing forecast once a year was not sufficient and that other organizations did it twice a year. DESA clarified that it did have an updated forecast in the beginning of May (timing reflected the ECOSOC meeting in July) based on the updated oil price assumptions and policy stances. It was decided that this update should in the future be coordinated with the RCs and UNCTAD (although not to the same extent as WESP).

It was agreed that there has already been substantial progress in collaboration on preparation of WESP, which has become a true UN-wide publication, with DESA, RCs and UNCTAD all contributing directly to it. However, there still was room for improvement and several suggestions were made on how to further enhance this collaboration.

There should be more substantive discussions during the preparatory process to ensure better quality and greater ownership by all the author organizations. UNCTAD for instance felt that it was not given enough time to comment on policy recommendations during preparation of WESP 2006. In this context it was proposed to have a two day preparatory meeting to discuss macroeconomic policy questions early in the process and then to adjust the outline of WESP to reflect these discussions. Next step would be to decide when such a meeting would take place in 2006. One possibility would be around ECOSOC meeting in July but this needs to be confirmed.

There should be full coordination in terms of timing and content between WESP and the annual Economic Surveys prepared by RCs. Given that WESP is expressing a UN wide view on global economy, the projections and ideas contained therein should be used as basis for all analyses included in the TDR and the Surveys requiring background on macroeconomic situation and prospects. All these reports should make clear references to WESP. Some felt that there was also scope for coordinating the timing better.

Responding to a request from one of the participants, DESA updated on the ongoing reform of Project LINK. DESA is currently working on new global modeling system, which would be: 1) more user-friendly and able to address more contemporaneous issues (not just through trade but also finance linkages) and would allow for scenario analysis and 2) a better outreach tool for participants through providing a consolidated database for global projection and more-user friendly global modeling system, which could be used by the RCs on regional level. There also was interest from the World Bank to collaborate with DESA on this project. These reforms will progress within next 2-3 months and DESA will provide an update during the fall LINK meeting.

One participant mentioned that the main criticism of the LINK system was that it did not address long-term social issues such as reaching the MDGs or income distribution. DESA responded that although technically possible such overly complex model reflecting all

possible factors would not be practical and it was more convenient to use different types of models for different types of issues.

Several entities expressed concern with insufficient resources for them to meaningfully participate in this exercise. For example, ESCWA, which is currently under restructuring, has lost the person who updated LINK, while ECE lost the entire Economic Analysis Division.

3. Improved coordination on preparation of flagship publications

It was agreed that while there was already a far-reaching collaboration on the preparation of WESP (see agenda item 2), more remained to be done in order to improve cooperation on preparation of other flagship reports. It was agreed that outlines should be exchanged early on in order to identify overlaps as well as possible areas of collaboration. A time schedule would have to be compiled reflecting planning cycle for each flagship publication and based on that coordination meetings should be scheduled.

UNCTAD raised the issue of resources. It had only a few people working on the TDR and additional coordination would impose additional burden on them. It also announced the topics for the two next issues of TDR. TDR 2006 would focus on Policy Autonomy and TDR 2007 on Regional Cooperation.

4. Program of work for the Macroeconomics and Finance Cluster of EC-ESA

A preliminary schedule of work for the cluster was agreed on. There would be at least two meetings per year: one actual meeting for which the location would be determined on rotating basis and one videoconference. In this context the issue of resources was also raised. Additional meetings may be organized on the occasion of other major system wide events.

It was agreed that the next meeting would be held in Geneva during the ECOSOC substantive session in July 2006. Some noted difficulty attending (ECLAC due to scheduling conflict and ESCWA due to lack of resources) but said they would do their best to overcome these difficulties. The date of the meeting and availability would be confirmed electronically in the near future.

5. Other

The ECE Member states have just implemented major reform as a result of which resources available for economic policy issues greatly diminished. Therefore ECE has more limited capability to contribute to the work of the cluster. However, new senior management reiterates its commitment to continue cooperation and contributing whatever possible

Appendix

Discussion (outside of video conference) regarding the distribution of labour in the area of finance between cluster representatives of DESA and UNCTAD

Summary of UNCTAD's position:

UNCTAD sees neither need nor scope for further rationalizing the distribution of labour in the area of finance and is of the view that the current division of labour and based on existing mandates, namely UNCTAD focusing on issues related to external debt and private flows, as well as issues related to coherence, and DESA focusing on international financial development cooperation (in the context of reviewing the implementation of the Monterrey Conference) and domestic resources for development, reflects the existing strengths and competences of each agency.

Summary of DESA's position:

DESA in contrast sees overlaps of mandates and duplication of efforts between UNCTAD and DESA and could also envision more efficient use of strengths and competencies than the ones currently in place. More specifically, DESA has been given the mandate to give follow-up to the Monterrey Consensus and cover analytical and policy issues related to macroeconomics and finance in a broad sense (including, domestic resource mobilization, development cooperation, international financial architecture, and debt relief). From this interpretation of responsibilities, it sees that UNCTAD's role in the finance area could be more limited than is presently the case. UNCTAD would concentrate on trade, investment, and science and technology and the coverage of issues of finance and macroeconomics would be limited to the extent required for a proper and coherent analysis of trade and investment policy issues in development. UNCTAD's involvement on debt issues would concentrate on the technical advisory work related to debt.