

Review of ways of streamlining and rationalizing the activities of Macroeconomics and Finance Cluster in line with the S-G's report on Mandate Review

Report to the EC-ESA Deputies

The Macroeconomics and Finance Cluster has examined ways of further streamlining and rationalizing the cluster's activities in line with the S-G's report on mandate review and 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*. The discussion took place electronically, by telephone as well as in the form of videoconference on 16 May 2006, in which the following entities participated: DESA (DPAD and FfDO), UNCTAD, ECE, ECLAC, ESCAP and ESCWA.

The following agenda items were discussed:

1. Rationalizing the distribution of labour and 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)
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)
3. Improved coordination on preparation of flagship publications
4. Programme of work for the Macroeconomics and Finance Cluster of EC-ESA

The following were the conclusions of the review:

1. Rationalizing the distribution of labour and in the area of finance to ensure the most effective follow-up to the outcome of the Monterrey Conference

The Report of the Secretary-General "Mandating and delivering: analysis and recommendations to facilitate the review of mandates"¹ calls for "rationalization of functions in the area of **finance**", and for "[redefining] the arrangements and work in this area, in particular between DESA and UNCTAD, to ensure the most effective follow-up to the outcomes of the Monterrey Conference".

- 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 regional commissions 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 cluster also agreed that the regional inputs should be strengthened and better integrated into DESA and UNCTAD's work in this area as appropriate.

¹ Report of the Secretary-General on "Mandating and delivering: analysis and recommendations to facilitate the review of mandates" (A/60/733).

- The cluster also recognized that there exists 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 cluster representatives from UNCTAD and DESA disagreed at a more general level about the necessity and ways to further rationalize the work among the two entities in the area of finance. The disagreement relates to a large extent to differences in interpretation of existing mandates and hence areas of competence.

The different perspectives may be briefly summarized as follows:

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.

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.

The members of the cluster agreed that this matter could not be resolved by the cluster itself and the chair of cluster would seek clearer guidance from EC-ESA Deputies and Principals on how to deal with improving the distribution of labour in the area of finance.

In this context, the cluster would also like to seek clarification regarding the wording of paragraph 69 of the Secretary-General'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 question is about implications of the use of word “therefore” for the interpretation of the word “finance” in this context.

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

The Report of the S-G “Mandating and delivering: analysis and recommendations to facilitate the review of mandates states that ”...a good start has been made with the flagship publication *World Economic Situation and Prospects*, which brings together the Department of Economic and Social Affairs, UNCTAD and the regional commissions..” and calls for “...greater efforts ... be made for a 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 will 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 preparatory meetings early in the process to discuss and agree on the outline of WESP.
- 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 WESP update.

3. Improved coordination on preparation of flagship publications

The cluster agreed that while there was already a far-reaching collaboration on the preparation of WESP (see item 2), more remained to be done in order to improve coordination on preparation of other flagship reports. It was agreed that for now:

- 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 (the multi-annual) planning cycle for each flagship publication and based on that coordination meetings would be scheduled.

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

The cluster agreed on its preliminary schedule of work. 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. Additional meetings might be organized on the occasion of major system wide events. The cluster agreed that the next meeting would be held in Geneva during the ECOSOC substantive session in July 2006.