United Nations

E/2001/SR.6

Economic and Social Council

Provisional

20 July 2001

Original: English

Substantive session of 2001

Provisional summary record of the 6th meeting
Held at Headquarters, New York, on Tuesday, 1 May 2001, at 9.30 a.m.

President: Mr. Belinga-Eboutou . . . . (Cameroon)

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01-35578 (E)

The meeting was called to order at 9.50 a.m.

Special high-level meeting with the Bretton Woods institutions: selected aspects of international cooperation in strengthening financing for development (E/2001/45)

Statement by the President

1. **The President** said that the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions was taking place at a time when prospects for the world economy were worrisome. The rate of global economic growth was expected to slow down significantly, as was the expansion of international trade. The economic downturn in the major developed countries had had a direct impact on the economic activities of many developing countries and countries with economies in transition. The significant deceleration of growth forecast for Asia, Africa and Latin America would hamper progress towards the goal of poverty eradication. In addition to the weakening of global economic growth, a number of other factors, such as natural disasters, the economic impact of the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) crisis and persistent situations of conflict which hampered economic and social recovery, were adversely affecting national and regional economies.

2. Those global economic realities placed a clear responsibility on all countries, individually and working in concert through international and regional organizations, to respond effectively to the challenges. It was essential to bring the global economy back on a steady path towards the achievement of the goals and targets set at the Millennium Summit. A stable international financial system was fundamental to effective poverty eradication strategies in the short and long term. Managing debt and predicting financial flows were essential to ensure that all actors, including the private sector, worked in partnership for a financial environment responsive to growth and development. A coherent approach to development among international institutions, the United Nations, the International Monetary Fund (IMF) and the World Bank in particular, would greatly facilitate that desired outcome.

3. The current meeting would set the stage for detailed discussions to take place in the Preparatory Committee for the International Conference on Financing for Development, and provided a unique opportunity to engage key policy makers in dialogue on how to mobilize the energy and resources of the entire international system behind the global development agenda defined by the heads of State and Government at the Millennium Summit.

Address by the Secretary-General of the United Nations

4. **The Secretary-General** said that, at the first of the special high-level meetings four years earlier, the symbolism of the closer ties forged between the Economic and Social Council and the Bretton Woods institutions had been almost as important as the substance. Currently, however, the international community had moved from the pro forma to the proactive, and recent collaboration had been extremely fruitful, resulting in a more cohesive approach, a convergence of views and even a new politics of development. That deepening partnership and mutual understanding was very good news for the multilateral system.

5. The meeting was occurring against a backdrop of a troubling United Nations forecast that world economic growth would decline markedly, from 4 per cent in 2000 to 2.5 per cent in 2001, with at best a modest recovery in 2002. That slowdown came less than four years after the previous crisis, and before all its damage had been repaired and necessary preventive measures taken. The crisis of 1997-1998 had begun in the developing countries, but the current slowdown had originated in the developed world, with a substantial weakening of the United States economy and protracted difficulties in Japan. The consequences for the developing world were hard to divine, but the risks were significant, as adverse developments in major economies propagated themselves through the multiple channels of the globalized world economy. But wherever such problems arose, one result was always the same: the poor suffered disproportionately. He urged that the needs and aspirations of the poor should remain at the top of the international agenda. The developing countries must not be victimized, left behind or left without help.

6. On the eve of the third session of the Preparatory Committee for the International Conference on Financing for Development, he was concerned that,

unless far greater amounts of resources were mobilized, through both public and market-led investment, the plans to eradicate poverty and accelerate development would be thwarted. The donor countries, which were receiving most of the benefits of globalization, should be increasing their aid and helping to improve its effectiveness. At the same time, greater attention must be focused on making better use of domestic resources, where women in particular needed more access to capital.

7. His report to the Preparatory Committee recommended wide-ranging action to strengthen financial institutions, legal frameworks and governance in general. Tough measures against corruption, wherever it might be and whatever form it might take, must be taken. Many of the least developed countries still needed debt relief, and the European initiative to grant duty-free, quota-free access over time to European Union markets for the exports of the least developed countries, excluding arms, was a landmark decision to build on. The vulnerability of developing and transition economies to sudden reversals of resource flows must be reduced.

8. It was also crucial to ensure that developing countries were represented and had an adequate voice wherever decisions were taken affecting their development prospects, in particular within the governing bodies of the international financial institutions, not only as a matter of fair play but as a way to make those bodies more effective, accountable and transparent. Such an evolution in domestic and international governance could also go a long way towards defusing some of the backlash against globalization and help to make it work for all people.

9. The issues before the international community were complex and closely intertwined, but they should not be daunting. A consensus on the values, priorities and objectives that should guide Member States already existed in the Millennium Declaration, which had been endorsed at the highest political level. The Secretariat would continue to assist Member States in their effort to achieve those goals, and would be active in monitoring the progress at both global and national levels.

Statements by panellists

10. **Mr. Brown** (Chairperson, International Monetary and Financial Committee) said that the main outcome of the recent meeting of the International Monetary and Financial Committee had been the recognition of mutual interdependence: economic instability anywhere had repercussions everywhere. There had also been a shared resolution that, in the face of slowing growth, the international community should not retreat from economic cooperation, but should strengthen it.

11. In order to achieve economic growth and social justice, a forward-looking approach must be developed in four areas. First, the conditions for macroeconomic growth must be created; second, the momentum of the reform of the international financial architecture and the pace of national economic reforms must be maintained; third, trade talks must be opened as soon as possible; fourth, to build the “virtuous circle” of debt relief, poverty eradication and sustainable development, each nation must discharge its shared responsibility, including making improvements in official development assistance (ODA) budgets.

12. On the subject of debt, it had been noted with satisfaction that 22 countries had received some degree of relief, but that much remained to be done. Debt relief must achieve the aim of providing the poorest countries with a lasting and sustainable exit from the debt burden in order to bring about poverty reduction. To that end, a special programme had been agreed for post-conflict countries. Moreover, that lasting exit from debt must not be undermined by rapidly changing terms of trade in exports or lack of finance in World Bank trust funds.

13. The Committee had emphasized the importance of codes and standards, surveillance and crisis prevention to identify risk. It had called on the richest as well as the poorest countries to adopt those codes and standards as one of the best bulwarks against unfair market speculation, contagion and general instability. The private sector also had a duty to continue to engage in investment, even in difficult times. Because education was a pre-condition of progress and the best long-term anti-poverty strategy, the Committee had also affirmed the importance of the commitment to basic education for all, especially girls and women.

14. For the first time, action on infectious diseases, most of which were preventable, had become a priority. The Committee believed that there was a historic window of opportunity to build alliances between

countries with much and countries with little and to make concrete commitments to their eradication. There was growing support for a global health fund to fight HIV/AIDS, tuberculosis and malaria, and a recognition of the urgent need for research and development, drugs, commodities and vaccines, and country-owned delivery systems for prevention and treatment to become an integral part of poverty reduction strategies. The international community must urge the pharmaceutical companies to respond to the challenge both in research and development and in making drugs available to the poorest countries at affordable prices.

15. Through its programme of reform, the Committee hoped to ensure that economic progress was not bought at the expense of social justice, but that both could advance together. It was attempting to realize, in the new global economy with all its risks and vulnerabilities, the high ideals that had brought IMF, the World Bank and the United Nations into being: prosperity was indivisible, and the goal of prosperity for all was a duty of all.

16. **Mr. Sinha** (Chairperson of the Development Committee) noted that, while the slowdown of the world economy might only decrease prosperity in the developed countries, it would surely aggravate poverty and joblessness in the developing world. The Development Committee, in its own meeting and in a joint session with the International Monetary and Financial Committee, had taken special note of the problem of the poorest countries, particularly in Africa, recognizing that debilitating disease was the latest dimension of that problem. At the joint session, a decision had been taken to step up efforts in favour of the heavily-indebted poor countries and to promote debt forgiveness and increased official development assistance.

17. In its communiqué issued in Washington, D.C. the previous day, the Development Committee had indicated its desire to contribute to the International Conference on Financing for Development, to which it attached great importance. In a section of the communiqué entitled “Leveraging Trade for Development — World Bank Role”, the Development Committee had emphasized the need to strengthen the economies of countries currently benefiting from debt forgiveness in order to guard against a relapse into the debt trap. In that context, it called on the World Bank to help build the capacity of developing countries, particularly the poorest countries, to take advantage of global trade opportunities and to negotiate better market access.

18. The Development Committee communiqué also stressed the need for continued World Bank support for middle-income countries, where 80 per cent of the world’s poor lived. In that connection, the Bank must act as a catalyst for policy and institutional change, including capacity-building as well as pro-poor policies and policies for stable and sustainable private investment flows, and for policy and financial support from development partners in promoting sustainable growth and poverty reduction.

19. The communiqué identified “global public goods”, including initiatives in the areas of communicable disease, trade integration, financial instability, knowledge and the environmental commons. He cautioned that, in an electronic age, external vulnerabilities and the contagion effect of faraway crises could destabilize economies despite national efforts to protect them. As Minister of Finance of India, he had proposed a six-point action programme to the Development Committee which stressed capacity-building in the least developed countries and special opportunities with regard to trade and global financial flows; capacity-building and fair and equal opportunities in international trade for the middle-income countries; protection against external vulnerabilities and the contagion effect; war against communicable diseases; sustainable development on the basis of economic growth, social justice and environmental protection, and effective governance at the national and local levels, including promotion and protection of democratic institutions and poverty reduction.

20. **Mr. Sanusi** (Chairperson of the Group of 24) agreed that developing countries were particularly hard hit by the economic slowdown, which depressed primary commodity prices and weakened adjustment and growth efforts critical to poverty eradication. Adequate and appropriate funding would be necessary to meet the goal of halving poverty by the year 2015, as set out in the United Nations Millennium Declaration. Noting the obstacles confronting the developing countries in mobilizing resources to finance their sustainable development, he called for concerted global action to help them benefit from trade liberalization and the integration of financial markets and urged the donor community to cover the growing shortfall in resource flows to developing countries

from commercial sources by increasing the current level of official development assistance, which, at 0.24 per cent of gross national product, stood well below the target of 0.7 per cent.

21. In addition, the Heavily Indebted Poor Countries (HIPC) Debt Initiative and the programmes of the International Development Association (IDA) must be adequately funded. To that end, the World Bank and the regional development banks should increase their direct lending and leveraging of sustainable private resource flows to middle-income countries. Indeed, substantial progress in the enhanced HIPC initiative and the Poverty Reduction Strategy Papers (PRSP) process could reduce certain constraints on global poverty reduction efforts particularly in many developing countries. It was disturbing that only one country had concluded the PRSP process thus far. In order to remedy that situation, he called for additional concessional financing for HIPC countries and, in general, increased technical assistance and simple, realistic conditionalities which focused on a few critical issues.

22. With regard to trade and development, he said it was ironic that many developing countries which had implemented trade policy reforms were unable to benefit from globalization, owing to entrenched protectionist practices in the developed countries, including tariff and non-tariff barriers and general agricultural subsidies. In order to stimulate income generation by developing countries and ensure that they benefited from global trade, those barriers must be removed and developing countries' market access improved, especially for agricultural products.

23. Significant progress had been made in strengthening the international financial system through the development of international codes and standards. However, he believed that their observance should remain voluntary and take into account country-specific circumstances and stages of development, including administrative and institutional constraints. Weaknesses in the financial regulatory system of the advanced economies must also be addressed in order to ensure the uniform application of standards.

24. He called for expanded multi-country efforts to tackle the HIV/AIDS problem, which was particularly severe in Africa, and for the immediate establishment of a global trust fund. The World Bank should strengthen its partnership with the Joint and Co-sponsored United Nations Programme on HIV/AIDS (UNAIDS) and other entities to support the development of an AIDS vaccine. Eradication of other communicable diseases should be addressed simultaneously.

25. **Mr. Martin** (Chairman of the Group of 20) said that the recently formed Group of 20 was comprised of finance ministers from 19 nations representing over 88 per cent of world output, over 65 per cent of the global population and approximately 60 per cent of the world's poor. The Group of 20, established in response to the Asian financial crisis, attempted to introduce preventive measures long espoused by the Group of Seven into a wider range of countries that could all participate in its decision-making process. Thus, in order to curb the destabilizing effects of massive short-term capital flows, the Group advocated consistency among members' exchange rate policies, development of the proper legal and technical infrastructure and strengthened regulation and supervision of the financial sector.

26. In its nearly two years of existence, the Group of 20 had, inter alia, developed standards and codes acceptable to all its member States, which were committed to implementing them, and prepared case studies of member States' experiences in adjusting to globalization as a deterrent to the adoption of impractical policies that might be tempting in theory. For example, the Asian crisis had been triggered by the headlong rush to open up capital accounts in order to gain access to short-term private capital before appropriate banking supervision and regulation was even in place.

27. There had been unanimous agreement among the Group of 20 members on the need to go far beyond the Washington consensus, which focused on open markets, macroeconomic policy, public finance, inflation and other purely economic initiatives, and recognize that economic and social development were prerequisites for sustainable poverty reduction. Indeed, at the international level, market access for developing countries was of limited value when international trade flows of key agricultural products were distorted by massive subsidies in the developed countries. At the national level, economic growth alone — without a sound education system and basic health care — was not sufficient to ensure sustainable development. The philosophy that social security must underpin economic

security had come to be known as the “Montreal consensus”.

28. **Mr. Crockett** (Chairperson of the Financial Stability Forum) said that weaknesses in domestic financial systems, spread by the contagion effect, either caused or aggravated international financial crises. Thus, the cornerstone of the new financial architecture was to develop codes and standards of best practice that could be used as benchmarks for efforts to strengthen domestic financial systems.

29. The Financial Stability Forum had been established to bring together national and international authorities responsible for financial regulation and supervision and for ensuring stability, such as finance ministers, governors of central banks, representatives of other regulatory and supervisory authorities, international organizations such as IMF and the World Bank, and international standard-setting bodies in accounting, banking and insurance supervision and market regulation. The Forum’s task was to promote an exchange of information among all its members and identify vulnerabilities in domestic and international financial systems likely to threaten stability, such as highly leveraged operations or hedge funds. Measures should be taken at both the domestic and international levels to deal with increasingly volatile short-term capital flows.

30. While the underlying principles of the standards and codes of the new financial architecture were immutable, the methodology used in applying them could be adapted to the needs and circumstances of individual countries through prioritization, technical assistance and greater ownership and incentives to ensure that such codes and standards were viewed as being in the national interest rather than externally imposed.

31. Lastly, with regard to the representative and participatory aspects of the Forum and other initiatives to maintain international financial stability, including the role of regional groups referred to in the note by the Secretary-General (E/2001/45, para. 20 (c)), he said that the Forum had begun to work with small regional groups in order to increase their involvement in areas of interest, such as banking regulation, accountancy standards and strengthened infrastructure. In addition, consultative mechanisms should be further strengthened in order to ensure that all voices were heard.

The meeting was suspended at 10.55 a.m. and resumed at 1 p.m.

32. **The President** said it was the first year that the Council had held round-table discussions during its meeting with the Bretton Woods institutions, and they appeared to have been a resounding success, enabling interaction among participants in the meeting.

33. **Mr. Šimonović** (Vice-President), summarizing the discussion held at round table 2 on development financing and poverty eradication, said that participants had expressed the view that partnership between the public and private sectors and between the developed and developing countries was a precondition for the fulfilment of development goals. They had discussed the need for a greater volume of ODA and had pondered the potential impact of the weakening world economy on future allocations of such assistance. They had expressed the need for a coherent ODA and trade policy and had emphasized that the benefits accruing from the globalization process must be shared among all countries, including those countries whose economies had continued to worsen.

34. The discussion on the international financial system had seemed clearly to indicate that a turning point had come. Participants had expressed the need for the establishment of an adequate surveillance system of the international financial system, emphasizing the importance of global standards and codes, and for the creation of a system that would take into account the situations of individual countries. They had discussed the importance of crisis prevention and of early warning signals, as well as the need for coordination among the various participants in international forums. The key elements, however, seemed to be Governments; in that respect, it was deemed essential for development and finance to work hand in hand. There seemed to be a consensus on the notion that both national and international policies and actions must be backed up by coherent policy decisions in the areas of finance, trade, assistance, development and poverty eradication.

35. **The President** said that the discussion held at round table 1 had been rich both in quality and quantity. Representatives had stressed the urgent need to assure sustainable growth: a precondition for the fulfilment of the goals of the Millennium Summit. Participants had stressed the importance of the growing cooperation between the United Nations and the

Bretton Woods institutions, auguring well for the International Conference on Financing for Development. They had also forcefully expressed the need to go beyond the Washington consensus, and, in that regard, to strengthen social and institutional capacities as a prerequisite for sustainable growth. They had emphasized the importance of technical assistance and of ODA, as well as of the mobilization of social capital in the low and medium-income countries as the basis for all development processes. They had stressed the importance of trade policy for debt alleviation, access to markets, and the impact of agricultural tariff reductions on the reduction of poverty.

36. Many participants had observed that the HIPC initiative was inadequately financed and had stressed the need for the allocation of development assistance to countries where the poorest populations lived. The re-emergence of international solidarity was crucial to the success of the Third United Nations Conference on the Least Developed Countries and to Africa's ongoing development efforts. In that regard, the growing support for efforts to combat HIV/AIDS, tuberculosis and malaria were encouraging.

37. Representatives had also emphasized the essential role of the Bretton Woods institutions in preparations for the International Conference on Financing for Development. Worldwide opinion seemed to have converged around the idea that development and better management of globalization for the benefit of all should be the objective of that event; that the World Trade Organization (WTO) should be actively involved, and that ministers for foreign affairs, finance, trade and central banking, among others, should participate, as should the private sector. It had been agreed that an increase in ODA, now at especially low levels, was necessary for a reduction in poverty, and the suggestion had been made that such assistance should perhaps take the form of grants rather than loans.

38. The matter of transparency in and regulation of flows of speculative capital, in particular venture capital with a multiplier effect, had been discussed, and the flexible application of codes and standards of prudential conduct had been deemed important. The current meeting had contributed to the formulation of a coherent development policy, and, with that end in mind, the suggestion had been made to invite WTO to participate in the next meeting.

39. **Mr. Aninat** (Deputy Managing Director of the International Monetary Fund) said he had taken note of certain essential ideas invoked earlier in the meeting, namely, vision, balance, coherence and the need for signals to the world community. That encounter, which had brought together Governments, the private sector and civil society, represented a decisive moment in world history: the effort to use the globalization process to benefit all. He welcomed the vision of Secretary-General Kofi Annan, who had laid out specific goals for growth and development. Nonetheless, balance was necessary, and the urgency and priority nature of those goals must be weighed against the insufficiency of resources and instruments available to pursue them. It was there that the Bretton Woods institutions had a contributory role to play: in establishing frameworks within which actors for globalization would be accountable to the citizens of the globalized world. In that process, the signals heard at the current meeting would be essential.

40. IMF was a cooperative institution, seeking universal membership, with a rotatory replenishing system of dealing with funds. Its core competencies focused on such macroeconomic issues as stability and sustainability, and it had no mandate to engage in micro-sector issues, as important as they were. On the basis of that role in the international community, the Board of Governors and the Managing Director had emphasized a number of important reforms in recent years: first, it was working to realign and streamline the conditionality aspect of its lending process, which had come to cover too many aspects of economic policy; the Board, the management and the staff were involved in an open review of conditionality issues, in an effort to restore a macroeconomic focus to the dialogue with countries.

41. Second, IMF was readapting its facilities to make them more suitable for present needs and had taken actions to support member countries in crisis prevention and resolution and in the more efficient use of resources. Worth mentioning were the new efforts to modify the Contingent Credit Line to make it more attractive and beneficial to potential users who might want to protect themselves from exogenous, contagious effects. Third, it was working on external vulnerability surveillance and monitoring and was seeking to improve its tools for assessing both country-specific and systemic vulnerabilities. As such, it was assisting member countries in assessing their research adequacy

and liquidity positions; it was also working with them to develop guidelines for foreign exchange reserves management and debt management and to establish early warning systems.

42. IMF was also providing technical assistance to countries to help them to build capacities in the area of macroeconomic development and, in particular, to solidify their macroeconomic policies with a view to fostering the recovery of growth in a stable environment. In addition, it was working to prioritize the provision of technical assistance to respond to the most urgent demands of the developing world. It had also been addressing the questions of transparency and accountability, and it had worked with countries to enlarge their information mechanisms, to improve data dissemination and to promote accountability to the world community. Much, however, remained to be done.

43. IMF was an organization that had learned from experience. It was changing, and would continue to change, while at the same time maintaining its core macroeconomic competency and expertise. It was happy to have actively supported the HIPC initiative, in collaboration with the World Bank and with donor countries. Finally, he reiterated the commitment of IMF to working towards the success of the International Conference on Financing for Development.

44. **Mr. Sandström** (Managing Director of the World Bank) said that he would like to reiterate the commitment of the World Bank to the International Conference on Financing for Development. The World Bank had hosted joint sessions between its Board and the Bureau of the Preparatory Committee; rapid progress had been made towards achieving a Washington/New York consensus, and perhaps a global consensus as well. The agenda was broad and would address a full set of resources, including domestic resource mobilization, the involvement of the private sector and the role of trade in financing for development. Although the United Nations, the World Bank and IMF were strongly represented, he would like to see more involvement on the part of Governments, in particular trade and finance ministries, in preparations for the conference.

45. The agenda had two fundamental themes: the first focused on key development constraints and levers. A decision had already been made, under the HIPC initiative, to provide debt relief in the amount of over $55 billion to 22 countries. That would relieve two thirds of the debt for those countries; funds had begun to flow, and allocations in the social sector had already risen by 25 per cent. Major attention was being paid to the problems of post-conflict countries. The sum of $500 million per year was being spent on HIV/AIDS in Africa, and the goal was to allocate at least $1 billion annually on the problem throughout the world in coming years. Finally, major attention was being paid to trade as a lever for development, with emphasis on increasing market access and on enhancing the capacities of poor countries to participate in trade negotiations and to take advantage of expanding market opportunities.

46. The second main theme of the agenda was an improved global development architecture, with an agreement on certain basic principles: country "ownership", the need for long-term poverty-reduction strategies for low and middle-income countries, the Poverty Reduction Strategy Papers, and a focus on international development goals.

47. **The President** said he had prepared a statement summarizing the proceedings, which he would circulate. When the first special high-level meeting between the Economic and Social Council and the Bretton Woods institutions had taken place four years earlier, it had been unclear what direction would be taken. Time had, however, revealed the evolving need for that dialogue. The debates had shown exceptional quality and depth, and had been conducted with good will and a positive spirit that would be needed in the coming days, as the preparations for the International Conference on Financing for Development resumed, and the Third United Nations Conference on the Least Developed Countries commenced.

The meeting rose at 1.35 p.m.