



# Economic and Social Council

Provisional

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## Substantive session of 2002

### Provisional summary record of the 3rd meeting

Held at Headquarters, New York, on Monday, 22 April 2002, at 9.30 a.m.

*President:* Mr. Šimonović ..... (Croatia)

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Special high-level meeting with the Bretton Woods institutions: dialogue on the outcome of the International Conference on Financing for Development and of the meetings of the Development Committee and the International Monetary and Financial Committee

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*The meeting was called to order at 9.40 a.m.*

**Special high-level meeting with the Bretton Woods institutions: dialogue on the outcome of the International Conference on Financing for Development and of the meetings of the Development Committee and the International Monetary and Financial Committee (E/2002/13 and A/CONF.198/3)**

*Statement by the President*

1. **The President** said that the high-level meetings had evolved into a unique forum that enabled a dialogue to take place on financial, monetary, development and foreign affairs. Furthermore, they had contributed to the strengthening of policy coherence, coordination and cooperation, and had maintained a focus on the millennium development goals. The current meeting coincided with the celebration of Earth Day, which should serve as an inspiration for the deliberations devoted to the implementation of the Monterrey Consensus (A/CONF.198/3) adopted at the International Conference on Financing for Development. Cooperation with civil society and the business community had advanced to an unprecedented level and, for the first time, representatives of non-governmental organizations, the business community and the media were in attendance.

2. Policy coherence, the mobilization of all types of resources and their effective, efficient and equitable use were essential to poverty eradication and sustainable development. A massive effort was now required to mobilize effective cooperation for development and to build an international economic system conducive to development.

3. In order to maintain the momentum of the political commitments made in Monterrey, it was important to consider how best to take advantage of the annual spring meetings. Clearly, the goal was to make financial, trade and economic activities and systems more supportive of development goals, and to make the most of existing institutions by strengthening cooperation between them.

4. The achievements made in Monterrey represented the beginning of a process. It was necessary to establish a close link between individual millennium development goals and the principles set for their financing in order to improve effectiveness in dealing with global problems, such as hunger, illiteracy,

poverty and disease. Moreover, other international forums, such as the World Summit on Sustainable Development, should be used to ensure that the spirit of the Millennium Declaration was sustained.

*Address by the Secretary-General of the United Nations*

5. **The Secretary-General** said that the International Conference on Financing for Development had given new and timely life to the noble quest for international cooperation for development. The challenge now was to maintain the positive spirit that had led to the forging of the Monterrey Consensus and translate it into real and meaningful implementation. The Consensus was based on partnership, with shared responsibility and mutual accountability. There was a common platform in the millennium development goals.

6. Previously, ministers of finance, trade and development had pursued their work separately, but now there was an understanding of the need for coherence and collaboration. Misconceptions about official development assistance (ODA) had been replaced by the realization that ODA could work in the right circumstances. More than ever before, there was recognition of the need for good governance, sound macroeconomic policies, debt relief, access to markets and foreign investment. The imperative of fighting corruption and equitable burden-sharing in times of financial crisis were understood. It was also crucial to ensure that developing countries had a greater voice in economic decision-making, and that global monetary, financial and trading systems worked in tandem.

7. He hoped that in addressing issues of coherence, coordination and cooperation, the participants in the meeting would build on the Monterrey experience by maintaining an inclusive approach that incorporated different ministries and all stakeholders, while taking care not to duplicate processes taking place elsewhere.

8. Requests addressed to him in the Monterrey Consensus would be carried out fully and in a timely fashion, and he would do his utmost to ensure that the organizations of the United Nations system worked closely in their efforts to achieve the millennium development goals. One of the first major tasks was to ensure the success of the World Summit on Sustainable Development. The agreement reached in Doha had offered the prospect of a true development round of trade negotiations and a fair global market that gave

men and women in the developing world a chance to trade their way out of poverty. The Monterrey Conference offered the promise that developing countries would be able to seize such an opportunity by mobilizing the resources that were so desperately needed for development.

9. The world economy was slowly recovering from its worst performance in a decade. Although the recovery had started sooner than previously expected, the global economy was expected to grow by a mere 2 per cent in 2002, with momentum pushing economic growth to over 3 per cent in 2003. Nevertheless, many questions remained regarding the strength of the recovery, its breadth across economies and sectors, and its sustainability. The prospects for growth in many developing countries remained constrained by the slow recovery of the developed countries, lacklustre flows of private capital and by declining prices for non-oil exports. The need for sustainable, equitable development in rich and poor countries alike was clear, but energies should also be devoted to taming armed conflict, the worst enemy of development.

10. In conclusion, he expressed the hope that the unprecedented level of collaboration between the United Nations, the Bretton Woods institutions and the World Trade Organization (WTO) would continue in order for the institutions to respond effectively to the new responsibilities that had emerged.

#### *Statements by panellists*

11. **Mr. Manuel** (Minister of Finance of South Africa and Chairperson of the Development Committee) said that, in the spirit of moving from philosophy to implementation, the Development Committee had endorsed a number of critical implementation programmes currently being pursued by the World Bank, the International Monetary Fund (IMF) and the United Nations. It had also endorsed the new consensual approach to development put forward at the Monterrey Conference.

12. Finding consensus had not been a simple matter, in large part because public opinion had been focusing more sharply on the link between economic development, poverty and political strife. Clearly, the events of 11 September 2001, global financial shocks since 1996 and the ongoing tragedy in Palestine and Israel had all played a part in that increased attention. Nonetheless, the Monterrey Conference had succeeded

in obtaining new financial commitments from donors and had reached agreement on partnerships with developing countries. The main concern on the financial side of the development agenda was the continuing effort to raise ODA to 0.7 per cent of countries' GDP. The World Bank and IMF viewed the World Summit on Sustainable Development in Johannesburg as an opportunity to further strengthen partnerships; explicit commitments by individual countries should be emphasized.

13. The millennium development goals focused on eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowerment of women, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other infectious diseases, ensuring environmental sustainability and building a global partnership for development, while setting out global indicators to measure progress. The main lesson learned thus far was that all development goals must be matched with clear programmes of action. The role that the World Bank could play was to coordinate adequate resources with the programme components of the initiatives. For many developing countries, technical capacity must be enhanced so that rising donor finance flows could be used effectively. Mobilizing resources within the developing countries, moreover, required effective tax administration and public finance management.

14. In the round-table discussions held in Monterrey, it had been pointed out that coherence was critical for development, but that there were also some intractable problems in that area. There was a lack of coherence between international institutions and national Governments. National development strategies were pulled in different directions by donors and multilateral institutions and the administrative capacity of developing countries was overburdened by the conditions imposed by numerous donors. Financial commitments were often arbitrary and not geared to the budget cycles of the developing countries. The Heavily Indebted Poor Countries (HIPC) Initiative presented similar challenges for coherence, as it was becoming increasingly clear that a number of HIPC countries were unlikely to achieve debt sustainability even after reaching their completion points.

15. Development outcomes in such an environment were likely to be incomplete. Much more must be done

to increase the effectiveness of aid and to ensure that collective development goals could be attained.

16. **Mr. Aninat** (Deputy Managing Director, International Monetary Fund) said that the International Monetary and Financial Committee of the IMF Board of Governors welcomed the international community's decisive policy actions to maintain financial stability, restore momentum to world economic growth and reinvigorate the fight against poverty. Continued vigilance and a further strengthening of medium-term policy frameworks would be required to improve the prospects for sustainable growth and stability and reduce vulnerabilities.

17. The advanced economies had a responsibility to ensure a strong and sustained world economic recovery. While keeping inflation under control, monetary policies should remain broadly supportive of growth activities. Reforms should be pursued vigorously with the aim of improving economic flexibility and resilience, contributing to high and sustainable global growth, and supporting the orderly reduction of persistent imbalances. The recovery in industrial countries and the firming of commodity prices would contribute to supporting activity in emerging market economies and developing countries. Many emerging market economies had become more resilient through the adoption of sound economic policies, including more sustainable exchange rate regimes. It would nevertheless remain crucial to further strengthen fiscal positions, and to press ahead with corporate, financial and institutional reforms.

18. It was a clear priority for all to improve living standards and reduce poverty throughout the developing world. To that end, the Committee fully endorsed the Monterrey Consensus and the millennium development goals and wished especially to commend the Secretary-General for his personal engagement in the process. The Committee was also encouraged by new initiatives in Africa, such as the New Partnership for Africa's Development (NEPAD) and its call for strong domestic ownership, sound policies, strengthened institutions and improved governance.

19. More open trade was necessary for durable economic recovery and sustained growth. It was also crucial to ensure market access for developing countries' exports, and to phase out trade-distorting

subsidies, which undermined the economic potential of trading partners and were costly to domestic markets.

20. The Committee welcomed the outcome of the recent reviews of the Poverty Reduction and Growth Facility (PRGF) and of the Poverty Reduction Strategy Paper (PRSP) approach. The PRSP process should be nurtured as the suitable framework for the efforts of low-income countries and their international partners to achieve poverty reduction and higher growth. Substantial progress under PRGF-supported programmes would be further enhanced by better identifying the sources of sustained growth, strengthening public expenditure management, and using poverty and social impact analysis more systematically. Capacity-building would remain a potent vehicle for ensuring ownership and enhancing the implementation of effective poverty reduction. The Committee was particularly pleased by the establishment of the African Regional Technical Assistance Centres (AFRITACs) to support NEPAD, and would respond flexibly and proactively to the financing needs of low-income countries, including by increasing PRGF financing where necessary.

21. Progress had been noted in the effectiveness of Fund-supported programmes through streamlined and focused conditionality and strong national ownership. Crisis prevention would be further enhanced through strengthened assessments of vulnerabilities, focusing on the global impact of policies, more candid and comprehensive assessments of exchange arrangements and exchange rates, and the expansion of financial sector surveillance to all member countries.

22. The Fund would promote a range of recent initiatives to enhance crisis prevention, including policies on transparency and standards and codes. Measures to strengthen the existing framework for crisis resolution included the improvement of debt sustainability assessments, clarification of the policy on access to Fund resources for countries facing financial crises, and strengthening the tools for securing private sector involvement. The Committee welcomed the consideration of innovative proposals to improve the process of sovereign debt restructuring, and it encouraged IMF to continue its examination of two approaches: a statutory approach, and a contract-based approach that would incorporate comprehensive restructuring clauses in debt instruments.

23. The Committee recognized substantial progress made by IMF, in close collaboration with United Nations agencies and the World Bank, in implementing its action plan to fight money laundering and the financing of terrorism, while also providing technical assistance to help countries identify and address their needs.

24. **Mr. Sojo Garza-Aldape** (Head of the Presidency for Public Policies of Mexico) said that the International Conference on Financing for Development had brought representatives from over 160 countries and the international financial institutions together to seek alternatives for mobilizing resources to achieve the millennium development goals. For the first time, all the components of development finance, including ODA, domestic savings, trade, investment and debt, had been viewed from a holistic standpoint. The Monterrey Consensus contained very specific commitments from each country, the Bretton Woods institutions and the United Nations relating to the mobilization of national and international resources, foreign investment and other private capital flows, international trade, and financial and technical cooperation, as well as external debt.

25. The Monterrey Conference had been a milestone in the global development process that had begun at the Millennium Summit and had continued at the Doha Ministerial Conference in November 2001. That process would culminate in the Johannesburg Summit on sustainable development in August 2002.

26. What was still required, however, was to move from programmes to projects by establishing indicators for success and ensuring follow-up. The current meeting provided an opportunity to make proposals that could be discussed in greater depth during the Council's substantive session.

*The meeting was suspended at 10.30 a.m. and resumed at 12.50 p.m.*

#### **Reports by the Chairpersons on the discussions of Round Tables 1 and 2**

27. **Mr. Rosenthal** (Guatemala), Senior Vice-President, reporting on the discussions of Round Table 1, said that the discussion had centred on how to move forward. The ideas contained in the Monterrey Consensus had been endorsed with varying degrees of enthusiasm, not only for the guidance which they provided, but also as a kind of covenant between

developed and developing countries. Emphasis had been placed on the Monterrey Consensus as a new platform that deepened the relationship among the United Nations, the Bretton Woods institutions and WTO.

28. The conceptual basis underlying the Monterrey Consensus and the coherency of the commitments made therein had been highlighted. Stress had been laid on the responsibilities incumbent on the developing countries in the areas of economic policy, governance and transparency. Mention had been made of the importance for the international community of supporting the commitments undertaken by States both directly and indirectly, in the form of debt relief, ODA, private capital flows and other elements.

29. All participants had emphasized the importance of an open and transparent trading regime and of embarking as soon as possible on a round of trade negotiations that would actualize the Doha commitments.

30. Mention had been made of the need for machinery to transmit or follow up on the basic principles of Monterrey. Suggestions had been made for enabling the Council and the General Assembly to fulfil their responsibilities as set out in the final chapter of the Monterrey Consensus, and for bringing civil society and the business community into the picture.

31. A constructive tone had prevailed throughout the discussion.

32. **Mr. Kumalo** (South Africa), Vice-President, reporting on the discussions of Round Table 2, said that it had been a very stimulating discussion. Participants had agreed that the high-level event provided an excellent opportunity to follow up on issues that had been raised in Monterrey and that would be raised in Johannesburg. The suggestion had been made that the dialogue should be structured in a more meaningful way so as to bring out specific issues. The need to move from words to action and to show results had also been emphasized.

33. The point had been made that structural policies should lead to reduced trade barriers and fewer trade-distorting subsidies in the North, a step viewed as critical for more vigorous development in many countries of the South.

34. The new approach to international policy-making seen in Monterrey signalled a new form of engagement

by the Bretton Woods institutions, the United Nations, civil society and the private sector, all of which had pooled their efforts in a way that would halve poverty by 2015, as envisaged in the millennium development goals.

35. The implementation of the Monterrey Consensus conferred an enormous responsibility on all partners. Developing countries must address institutional reforms, particularly educational policies, and provide an enabling environment so as to enhance the mobilization of domestic resources and attract foreign capital. Developed countries had a responsibility to foster a supportive international economic environment, mobilize ODA and assist in capacity-building. Major responsibility also resided in the international financial institutions and WTO.

36. In that connection, the hope had been expressed that the level of participation and engagement of WTO would increase from what had thus far been regarded as largely symbolic.

37. The situation in Africa had received special attention. It was agreed that widespread poverty, HIV/AIDS and the risk of famine were issues that must be confronted.

38. NEPAD provided a framework for economic and social development and had received strong endorsement in the Development Committee. The joint work of IMF and the World Bank on the PRSPs and their support of the PRGF, together with country ownership, laid the foundation for greater long-term development.

39. The participants had emphasized the need to develop benchmarks for development programmes. Stress had also been laid on the importance of measurable results and on developing strategies which focused on outcomes rather than processes. Those considerations were seen as key to the implementation of the Monterrey Consensus, and also provided a link to the World Summit on Sustainable Development.

40. After Doha and Monterrey, Johannesburg should produce concrete policies and programmes in economic and social areas, infrastructure and environmental protection, thus ensuring that domestic and international financial resources were used effectively to achieve sustainable development.

### **Exchange of views among participants**

41. **Ms. Herfkens** (Netherlands) said that she found the debate somewhat surrealistic. Everyone was talking about the need to build upon the spirit of Monterrey, while preparing for yet another United Nations conference as if Monterrey had never happened. What was needed was a transparent mechanism to monitor, country by country, the degree to which the millennium development goals were being met on time. She urged the United Nations Development Programme (UNDP) to help developing countries build such monitoring mechanisms into their poverty reduction strategies, preferably with input from the international financial institutions.

42. Peer reviews were a useful concept. The Organisation for Economic Cooperation and Development (OECD) had mechanisms to monitor the quantitative and qualitative fulfilment of donor pledges. Such a system could be applied to the commitments made in Monterrey, making it possible to report back on a regular basis to both New York and Washington on how every country was performing in terms of the achievement of the millennium development goals. Furthermore, such reports should be disseminated as widely as possible. International public opinion must be galvanized in order to remind political leaders of the promises they had made.

### **Concluding comments**

43. **Mr. Aninat** (Deputy Managing Director, International Monetary Fund) said that he wished to make four points. First, Monterrey had been a success. The Consensus defined the right priorities and highlighted the underlying principles of shared responsibilities and mutual commitments. Second, the millennium development goals represented a complex challenge; there were no easy solutions. Worldwide growth was the essential idea, and along with it, stability, if the goals were to be consolidated over time. Those were, however, necessary but not sufficient conditions. Third, national and international efforts required better instruments, more focused social policies and better public finance principles and policies. The message from delegations was that efforts should be concentrated on the areas of greatest social return. Fourth, a comprehensive and transparent system must be developed to monitor progress towards the millennium development goals. The organizations of the United Nations system, especially UNDP, were

pivotal to that effort, and IMF was committed to playing an active role.

44. **Mr. Shengman Zhang** (Managing Director, World Bank) said that if there was one message he would take away from the discussion, it was that the time had come, not merely to discuss, but to implement. The World Bank would, in collaboration with all partners, proceed to better implement the PRSPs and the Comprehensive Development Framework (CDF) in line with the basic principles of the Monterrey Consensus. To that end, it was organizing an aid conference in early June. In response to the guidance provided by the participants, the Bank would proceed with the challenge of harmonizing its operational procedures and processes and would establish clear and specific timetables in that regard. The Bank would do its part to ensure better opportunities for developing countries, whether by delivering better on the HIPC initiative or through enhanced capacity-building, including on the educational front. In support of the Doha process, it would work to ensure the effective participation of developing countries.

45. **Mr. Benjeloun-Touimi** (Senior Adviser, World Trade Organization), addressing the question of whether WTO was participating reasonably in the process, said that its participation in Monterrey and in the current meeting showed that it was truly engaged in ensuring the implementation of the millennium development goals. WTO had overcome the myth, highlighted at the Ministerial Conference held in Seattle in 1999, that it was not a transparent organization. It had an open system in which decisions were taken by consensus. The developing countries were well organized to defend their interests, whether in regional or in like-minded groupings. All members of WTO had an opportunity to express their views.

46. The main contribution that WTO could make to achieving the goals of the Monterrey Conference was to ensure the success of the Doha round of multilateral trade negotiations. The technical assistance and capacity-building it provided would be key to success in that area.

47. Mention should also be made of the fact that donors had pledged 13 million Swiss francs, out of the 15 million Swiss francs requested, to the WTO global trust fund for technical cooperation.

48. WTO was committed to building the capacity of developing and least developed countries to participate effectively in international trade negotiations. Without its strategic partners, however (the World Bank and the regional development banks), it would not be able to achieve the objectives that would make trade an engine for growth and development. Efforts must be made to ensure that the integrated framework, incorporating six agencies, functioned well and was coherent with the PRSPs. Furthermore, developing and least developed countries would not be able to know what their negotiating interests were if they did not integrate trade priorities into their development strategies. Accordingly, WTO was working to ensure that the different government sectors were aware of trade priorities and their relationship to the overall development strategy.

49. **The President** said that he was glad to have WTO on board. He thanked the panellists and the representatives of the World Bank, IMF and WTO for sharing their visions on the outcome of the Monterrey Conference and the meetings of the Development Committee and the International Monetary and Financial Committee. He was also grateful to the lead discussants and the representatives of non-governmental organizations and the business community.

50. It was clear that there was a firm commitment to realizing the millennium development goals. While Monterrey had been assessed during both round tables as a set of right principles, it had been pointed out that "staying engaged" should be interpreted as moving from philosophy to action. There was optimism in that regard, based on improvements in the world economy and on the recently concluded spring meetings.

51. Areas of convergence existed with regard to improved interaction between stakeholders. Ideas had been put forward on whether a new committee should be formed, referred to as a bureau or committee of stakeholders, or whether the Council should be transformed into an economic security council. The suggestion had been made that preparatory meetings should be held prior to the spring meetings as a way to improve interaction. There was substantial agreement that the spring meetings should remain the central forum, but that action should be taken with regard to the interim meetings.

52. There was consensus on the idea that the Monterrey Consensus should represent a performance contract that should be elaborated in greater detail. Various suggestions had been made, including conducive reporting and monitoring of responsibilities assumed at the national level. It was further agreed that progress must be made in the lifting of trade barriers and that trends in ODA and foreign direct investment should be monitored. Lastly, there was a need for transparency with regard to the overall progress in implementing the millennium development goals; a time frame and control stations would be useful in that regard.

*The meeting rose at 1.25 p.m.*