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Held at Headquarters, New York, on Monday, 26 April 2004, at 9.45 a.m.

President: Ms. Rasi . . . . (Finland)

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The meeting was called to order at 10 a.m.

Special high-level meeting with the Bretton Woods institutions and the World Trade Organization

Statement by the President

1. **The President** welcomed the Chairman and other representatives of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD), who were participating in the high-level meeting for the first time. She personally felt a great responsibility to carry out the mandate conferred on the Economic and Social Council by the Monterrey Consensus, in cooperation with all the actors present at the high-level meeting. The presence of the President of Finland, ministers and senior officials of member States, representatives of key international development, financing and trade institutions, the managing directors of the World Bank and the International Monetary Fund (IMF) and a number of United Nations agencies attested to the international community's strong commitment to following up the International Conference on Financing for Development.

2. Every effort had been made to establish a practical and feasible agenda for the round tables. While the main theme of the day's programme was coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus, the round tables would also address the issue of enhancing the voice, participation and representation of developing countries in international economic and financial decision-making processes, and other issues of broad concern. The least developed countries and other important development themes that could not be dealt with at the special meeting would be the focus of the Council's substantive session. Financing for development was part of a wider agenda of integrated and coordinated implementation of the outcomes of the major United Nations conferences and summits, which would be reviewed in a comprehensive manner in 2005.

3. Lastly, she drew the Council's attention to the note by the Secretary-General on coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus (E/2004/50), which contained questions to guide, but by no means limit, the round-table discussions, and to the summaries of the very productive hearings with representatives of civil society and the business sector organized by the newly established Financing for Development Office in the Department of Economic and Social Affairs. She was pleased to note that non-governmental and private-sector organizations would be providing input to the round tables as full partners in the Monterrey Consensus.

Address by the Secretary-General

4. **The Secretary-General** said that, when the world had agreed on the Millennium Development Goals, the year 2015 — the agreed target date for achieving them — had seemed far off. The goals had certainly been ambitious, but almost every expert had agreed that they were achievable. Four of the fifteen years had already passed and the results thus far were, at best, mixed. Even if the current recovery in the world economy speeded up or spread more widely, that would not be enough to ensure that the world met the Millennium Development Goals. Only by building on the spirit and promise of the Monterrey Consensus — the focus of the special high-level meeting — would there be a fair chance of doing so. As things stood, two years after the International Conference on Financing for Development held in Monterrey, the decisions taken there were not being implemented fast enough; and lack of coherence, so central to the Monterrey Consensus, continued to be as much a problem as it had been then.

5. At the heart of the Consensus, there had been a pact — a recognition that, if it was possible to build an open and equitable global economy, both developed and developing countries had specific responsibilities. Developing countries had agreed to improve governance, economic management and their investment climates and to build up their human resources. Even if not every developing country had made sufficient progress, there was strong evidence that, on the whole, the developing world had taken many positive steps in those directions. Developed countries, for their part, had increased official development assistance and were paying greater attention to the issue of external debt. But in the area where progress was needed most — trade — the record was mostly disappointing. Indeed, with the failure of the Fifth Ministerial Conference of the World Trade Organization (WTO), held in Cancún, and a growing

resort to bilateral trade agreements, the world had backtracked significantly.

6. It was not too late to regain the path on which the international community had set out with such hope. Member States could make a start that very day by continuing their efforts to ensure that their policies and ministries did not work at cross-purposes. The international community must demonstrate clearly, by next year's review of the United Nations Millennium Declaration, that it was truly serious about reaching the Millennium Development Goals.

7. For all the problems the world was facing, it still remained true that almost every country could reach the Millennium Development Goals by 2015, as long as reforms were implemented and adequate external support was provided. By next year, however, it might already be too late.

8. His note on coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus (E/2004/50), prepared in close consultation with the World Bank, IMF, UNCTAD and the United Nations Development Programme (UNDP), attempted to set out some of the main things needed to put the world securely on track. First, there was a need to make sure that national policies, resources and strategies were focused on reaching the Millennium Development Goals. Domestic resources were the largest source of financing for development and could be especially effective if focused on education, health, infrastructure, capacity- and institution-building and efforts to improve regulatory frameworks and public administration. Second, there was a need for greater foreign investment in developing countries, especially those that had taken steps to improve the investment climate. Third, the negotiations under the Doha work programme must produce real gains for developing countries, such as unhindered market access and the elimination of subsidies. Fourth, there was a need for more and better aid, with action on some of the promising ideas that had been proposed, such as the international finance facility. Fifth, the high debt burdens of low- and middle-income countries not covered by the Heavily Indebted Poor Countries (HIPC) Initiative must be addressed.

9. He hoped the meeting would be used to determine how to do better in all those vital areas and how to strengthen the coordination and cooperation so crucial for achieving any progress. More must also be done to strengthen the voice and participation of developing countries in international economic decision-making. The Monterrey Consensus had set in motion a process that had taken the first steps in that direction, recognizing rightly that democratizing global economic governance was as essential as any development project and was vital for building confidence in the system.

10. Special high-level meetings had been held for several years. They were a very important complement to the work of the Council; however, as happened with many endeavours, there came a time to take stock and see how to improve their effectiveness, to consider how they could be better focused and how it would be possible to sustain the momentum and make the most of those joint discussions of common challenges. He invited participants to reflect on that question, too, in the course of the special high-level meeting, so that all participants could have the benefit of their views.

Statements by intergovernmental organizations

11. **Mr. Hunte** (President of the General Assembly) said that the theme of the current special high-level meeting recalled the emphasis placed on coherence at the Monterrey Conference, and on the need for the World Trade Organization (WTO) to be among those organizations playing a critical role in the area of financing for development. The participation of UNCTAD for the first time marked the addition of an important player to the group of key organizations whose cooperation with the Economic and Social Council and the General Assembly and input into the Monterrey process were critical.

12. Fortunately, the partnerships created among all stakeholders — Governments, international institutions, civil society and the private sector — remained intact and augured well for the international community's capacity to deliver on the Consensus. During the High-level Dialogue on Financing for Development, convened by the General Assembly in October 2003, those partnerships had ensured a frank and open exchange on the progress achieved thus far. On that occasion, he had commented on the international community's "mixed report card" in implementing the Monterrey commitments. The persistent and critical issues requiring further and urgent attention were well known. It was well known, for example, that despite the efforts of many developing countries to create an enabling environment

for foreign direct investment, including through strengthened democracy and democratic governance, foreign direct investment had not been forthcoming and, in any case, was not a reliable source of development financing. Given the reduction in the levels of official development assistance in recent years, other effective development financing strategies must be found.

13. International trade was a key element of the international development framework, a point he had emphasized two days earlier at a meeting jointly hosted by the Centre for Global Development and the Commonwealth Secretariat to discuss the “Stiglitz Plan”. WTO must therefore be a key stakeholder in development financing initiatives. There was every indication that a dynamic and fair multilateral trading system was not yet in place. Much remained to be done with regard to granting special and differential treatment to least developed countries, landlocked developing countries and small island developing States (SIDS), although the latter would no doubt be considered in the preparations for the 10-year review of the Programme of Action for the Sustainable Development of Small Island Developing States, to be held in Mauritius in September.

14. Developing countries grappling with serious debt burdens found it difficult to cope with dramatic decline or stagnation in their economies. In the current global economic environment, debt cancellation, particularly for HIPC countries, might be more effective than debt maintenance in promoting the sustainable development of developing countries. He was pleased that aid, trade and debt, in the context of the Millennium Development Goals, would be discussed by the round tables at the special high-level meeting.

15. Advocacy, mobilization of resources and capacity-building were needed in order to meet the 2005 targets and make progress towards meeting the 2015 targets. To that end, each of the organizations represented at the special high-level meeting must ensure that development issues were addressed comprehensively. He welcomed the ministerial participation underpinning the current special meeting and the Council’s forthcoming high-level segment and reiterated the importance of the Council’s oversight responsibilities and the General Assembly’s policy-setting role. Lastly, he called for a “sustainable development offensive” in response to the developing countries’ growing sense of urgency to achieve poverty eradication, sustainable economic growth, sustainable development and a more equitable global economic system.

16. **Mr. Kamal** (Minister of Finance of Qatar), speaking on behalf of the Group of 77 and China, said that, although prospects for global economic growth had improved in the current year, the challenges remained the same: how to eliminate poverty and ensure that developing countries participated effectively in global economic recovery and prosperity. Globalization had thus far failed to meet the needs of developing countries. Continued increases in economic disparities between developed and developing countries called into question the fairness and sustainability of the international economic system. The failure to adopt new approaches and policies to make globalization and the phenomenal global prosperity of the past three decades a shared opportunity threatened both the livelihood of billions of people and international peace and security. The Group of 77 and China therefore welcomed the establishment by the Secretary-General of the High-level Panel on Threats, Challenges and Change.

17. He stressed the need to treat development challenges as a coherent whole. It made no sense to provide aid to developing countries while denying them market access on practical and beneficial terms, or to claim that liberalization spurred growth and development but to practice it selectively. The developing countries had surpassed the rest of the international community in their liberalization efforts, while the developed countries had been slow and selective. Liberalization in trade and the movement of individuals must be commensurate with liberalization in the movement of capital. It was also important to recognize the burden that balancing the three pillars of sustainable development — economic growth, social responsibility and environmental sustainability — placed on the meagre resources of developing countries.

18. The voice and participation of developing countries in global economic decision-making must be enhanced in order to afford them the economic policy environment they needed to break the stranglehold of poverty. Developing countries attached particular importance to their participation in the work of WTO, the World Bank and IMF. In that connection, the Group of 77 and China were closely following the ongoing consultations on the capacity of developing countries

for effective representation and involvement in the work of those institutions, including at the highest levels.

19. The right policy mix and the urgent need for the international community to implement the commitments already undertaken continued to be key points. In the area of trade, urgent action must be taken to address the plight of commodity-dependent developing countries and to improve market access for their export products. At the same time, harmful subsidies, particularly agricultural subsidies, and other policies of the developed countries that distorted trade and cut off market access must be discontinued. In the meantime, the developing countries needed all possible technical and financial support to build their capacity to trade, including special and differential treatment in the multilateral trading system. The Group of 77 and China would continue to support the Doha negotiations, provided that they were given genuine development content and that the developed countries demonstrated good will. The developing countries' steadfast support for an open, rule-based multilateral trading system must be reciprocated by the developed countries.

20. For developing countries, foreign direct investment held the key to diversifying production, acquiring new technologies and achieving critical productivity gains as a prerequisite for growth and sustainable development. The developing countries required support from their development partners to burden market access and improve their social and physical infrastructure. Governments would need to work together with the private sector to forge mutually supportive arrangements in that area.

21. In pursuing those initiatives, the developing countries, particularly those with the weakest economies, would continue to depend on official development assistance. The Group of 77 and China welcomed the many initiatives put forward in Monterrey and called for their full and speedy implementation. In the past, aid had often been too little or too late; to be truly effective, it must be timely, unencumbered by unnecessary conditions and channelled into areas where its impact could be maximized. At the same time, providing aid on more concessional terms and enabling developing countries to participate effectively in international trade would help to reduce debt overhang. External debt relief should be linked to the achievement of the goals and targets of the Millennium Declaration.

22. **Mr. McCreevy** (Minister for Finance of Ireland), speaking on behalf of the European Union, the acceding countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia), the associated countries (Bulgaria, Romania and Turkey), the stabilization and association process countries (Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro and the former Yugoslav Republic of Macedonia), said that it was essential to build on the integrated and collaborative approach taken by the United Nations, the Bretton Woods institutions and the World Trade Organization (WTO). Discussions at the current high-level meeting should aim to reinforce coherence, coordination and cooperation among relevant international organizations. Many major reports had been issued by both the United Nations and the World Bank highlighting the faltering progress of many countries in sub-Saharan Africa towards the achievement of the Millennium Development Goals. For example, the Global Monitoring Report 2004 noted that only eight countries representing 15 per cent of that region's population were likely to achieve the first Millennium Development Goal of reducing income poverty.

23. The situation in sub-Saharan Africa was of profound concern to the European Union. Progress had been made in the region in consolidating democratic principles, good governance and respect for the rule of law and human rights. Much remained to be done, however, in particular with regard to improving the quality of governance, including through greater accountability, transparency and control of corruption. The European Union annually accorded African member States substantial support, amounting to some 11.5 billion euros.

24. The Union fully supported the basic principles and political priorities set forth in the New Partnership for Africa's Development (NEPAD). The Union also welcomed the outcome of the African Peer Review Mechanism forum in Kigali and considered that the Mechanism would contribute to good governance in Africa. The achievement of the Millennium Development Goals in the region would require strong growth benefiting the poor and a favourable investment climate. The renewed focus on the critical role of the

private sector in promoting economic growth and development was therefore welcome.

25. The European Union had a strong commitment to the Monterrey Consensus. The Council of the European Union had adopted eight commitments, the so-called Barcelona commitments, which had defined the European Union's contribution to the International Conference on Financing for Development in Monterrey. Subsequently, the Council had mandated the European Commission to submit an annual progress report on implementation of those commitments by member States and the Commission, and invited other partners to consider undertaking similar reporting on the Monterrey Consensus. All of the member States had reaffirmed their commitment to achieving the official development assistance target of 0.7 per cent of gross national income. Four member States had already achieved that goal while a number of others had established specific time frames to reach it. At Monterrey, the Union had made a collective commitment to increase the share of gross national income that went to official development assistance.

26. In addition to increased resources, it was essential for donors and international organizations to work to make aid more effective. That required, among other things, implementation of the Rome Declaration on Harmonization, enhanced joint planning between donors and greater coordination of domestic poverty reduction strategies. Coordination was particularly needed with respect to combating HIV/AIDS, which required much greater financial resources.

27. The Union had made a commitment at Monterrey to providing trade-related assistance to developing countries and called on Governments to follow its example and provide duty- and quota-free access to all products from the least developed countries. The eleventh session of the United Nations Conference on Trade and Development in Sao Paulo in June would offer an opportunity to focus the activities of UNCTAD on a small number of key priority areas.

28. At the April 2004 European Union-Africa ministerial meeting in Dublin, ministers had welcomed the joint report prepared by debt experts from Africa and Europe on Africa's debt burden. The Union was committed to meeting and going beyond the requirements of the Heavily Indebted Poor Countries (HIPC) Initiative by providing 100 per cent debt relief for HIPC countries. Long-term debt sustainability remained an essential condition for economic stability, growth and development. The European Union would continue to play its part in contributing to building the foundations for growth and development.

29. **Ms. Okonjo-Iweala** (Chairperson a.i. of the Development Committee and Finance Minister of Nigeria) said that the international community faced a tremendous challenge in meeting the Millennium Development Goals. The Monterrey Consensus had elaborated a new partnership between developing and developed countries and their institutional partners and set forth new development strategies. The Development Committee would play an active role in moving the implementation on the Consensus and Goals forward.

30. The Committee had requested the World Bank and the International Monetary Fund to present it with a systematic monitoring report of the policies and actions needed at the country and global level, which would allow the Committee to assess progress and enforce accountability. The first such report, which had required close cooperation between the Bretton Woods institutions and the United Nations and other key partners, recognized that there had been progress on reforms undertaken by developing countries and on income poverty reduction. For example, advances had been made under the NEPAD mechanism in sub-Saharan Africa and in particular in her own country, Nigeria, which had embarked on far-reaching reforms, including restructuring public expenditures, combating corruption and providing an environment for private-sector growth.

31. However, the Millennium Development Goals would not be met by most countries by 2015, particularly in sub-Saharan Africa, where the situation was dire. There was a need for accelerated sustainable and inclusive growth in many developing countries through the promotion of investment and private-sector activity, good governance and better access to health care, education and other basic services, with a focus on efforts to combat HIV/AIDS.

32. Although progress on the Education for All Fast Track Initiative, designed to help make primary education a reality for all children by 2015, was welcome, more funding was needed for that and other Millennium Development Goals. The Committee had requested a report from the Bank on progress in ensuring that sound policies and efforts by developing

countries were adequately funded. Those efforts must also be matched with stronger support from developed countries, in particular through increased market access for developing-country exports.

33. The Committee had called for an agreement on the funding of the fourteenth replenishment of the International Development Association. But far more resources would be necessary. Efforts must be stepped up to implement the Rome Declaration on Harmonization and the core principles contained in the joint memorandum adopted at the Second International Roundtable on Managing for Development Results in Marrakech. Lastly, enhancing the voice and participation of developing and transition countries in international economic policy decision-making was crucial. In that regard, the Development Committee was endeavouring to promote a virtuous circle in which developing and developed countries and international institutions would act together in ways that could advance the achievement of the Millennium Development Goals.

34. **Mr. Carstens** (Deputy Managing Director of the International Monetary Fund), reporting on the main issues discussed at the ninth meeting of the International Monetary and Financial Committee held in Washington, D.C., on 24 April 2004, said that industrial production and global trade had picked up sharply, and improved prospects in most regions pointed to continued strong global growth. However, a number of risks remained, including the possibility that increases in interest rates might be less gradual than anticipated. Continuing geopolitical uncertainties and developments in oil markets also remained important concerns.

35. The recovery in emerging market and other developing countries had been aided by improved fundamentals and a rebound in private capital flows. Governments should continue to use the opportunity provided by the favourable financial market environment to strengthen growth prospects and reduce vulnerabilities, including strengthening fiscal positions, improving the structure and sustainability of debt, implementing broad-ranging structural reforms and moving towards greater exchange-rate flexibility for some emerging market countries.

36. Economic performance in many low-income countries continued to improve, but much remained to be done in the global effort to reach the Millennium Development Goals, particularly in sub-Saharan Africa. Stronger domestic institutions, along with sound economic policies, would be needed to underpin faster growth and poverty reduction. The international community continued to bear critical responsibility for providing additional assistance.

37. The Monterrey Consensus and the poverty reduction strategy paper approach provided the appropriate framework for the Fund’s engagement with low-income countries and its participation in global efforts towards achieving the Millennium Development Goals. The Bank and the Fund would continue to work on mechanisms to mobilize financing for the Millennium Development Goals and to support capacity-building in low-income countries.

38. The Fund had a strong role to play in helping its low-income member countries to achieve higher growth and poverty reduction with concrete policy advice, financing, and technical assistance. In particular, the Fund had been tailoring its assistance to the individual needs of countries and improving the macroeconomic design of the programmes supported by the Poverty Reduction and Growth Facility. Further funding of the Facility, however, would be required to maintain adequate capacity.

39. The Committee had welcomed the enhanced HIPC Initiative and the development of a debt sustainability framework for low-income countries. Five countries had reached their completion points since September 2003. It should be recognized, however, that long-term sustainability after exiting from the enhanced HIPC Initiative would be a significant challenge in the period ahead.

40. Early progress with the Doha round of trade negotiations was also important for all countries, in particular with regard to open markets, fair market access and the reduction of trade-distorting subsidies in all areas, notably in agriculture. The IMF had a role in promoting ambitious trade liberalization and helping members to take advantage of the opportunities provided by more open trade. The newly established Trade Integration Mechanism would help to address temporary adverse effects on the balance of payments caused by trade liberalization.

41. The Committee had also underscored that effective and even-handed IMF surveillance remained an essential element of the international community’s efforts to enhance crisis prevention, financial stability

and sustainable growth. The international community should also take determined action to combat money-laundering and the financing of terrorism. Lastly, all members must be adequately represented, work together in a spirit of trust and consensus-building and participate more effectively in decision-making for the Fund to be an effective cooperative institution.

42. **Mr. Sha Zukang** (President of the Trade and Development Board of the United Nations Conference on Trade and Development) said that the implementation of the outcomes of major conferences, in particular the International Conference on Financing for Development held in Monterrey, required concerted action. As the focal point for the integrated treatment of trade and development and issues of finance, technology, investment and sustainable development, UNCTAD was pre-eminently placed to examine such areas. General Assembly resolutions 57/270 B and 57/250 recognized UNCTAD and the Trade and Development Board as important institutional stakeholders in the implementation of the outcomes of major United Nations conferences and summits.

43. At the Board's fiftieth session it emerged that developing countries differed considerably in their abilities to cope with changes in export demand or commodity prices. While the developing countries in Asia and countries with economies in transition had been able to maintain relatively high growth rates, the Latin America and Caribbean region had been most affected by the recent global economic slowdown. Although Africa had been somewhat less affected by the global slowdown since 2001, the HIV/AIDS pandemic, political instability and armed conflict, in addition to weak commodity prices and insufficient inflows of official and private capital, had contributed to a real development crisis.

44. Members of the Board had agreed that the economic and policy reforms undertaken in many countries of Latin America and Africa during the 1990s, with their emphasis on trade and financial liberalization, deregulation, privatization, foreign direct investment and decreased State intervention, had not brought about the anticipated growth or an appropriate macroeconomic setting for the expansion of productive capacity and productivity. Many members of the Board had argued that trade liberalization alone was not sufficient to boost development. Developing countries required greater latitude to develop local industries and to manage their integration into the world economy in a more balanced manner. They should engage actively in market-oriented reforms, build stronger supply capabilities responsive to market demands, open their markets to the world economy gradually and reduce their dependence on commodities.

45. Foreign investment provided a crucial link between productive capacity-building and international competitiveness. The financing of productive capacity-building was central to any development strategy. Foreign direct investment could provide for the transfer of knowledge and technology, human resources development, more entrepreneurship and new production and management techniques. While progress had been made, flows of foreign direct investment to the least developed countries and Africa continued to be low, and flows to Latin America and Asia had declined recently. Creating an enabling environment in host countries for investment, technology and enterprise development was essential. The provision of official development assistance could enhance national savings and investment and act as a catalyst to attract foreign direct investment. Corporate actors, especially transnational corporations, had important responsibilities to the societies in which they operated.

46. In its regular review of development issues in the post-Doha work programme of particular concern to developing countries, the Board noted that UNCTAD had an important role to play in encouraging consensus on issues facing the international trading system. It remained committed to promoting the objective set out in the Millennium Declaration of an "open, equitable, rule-based, predictable and non-discriminatory multilateral trading system." However, trade was not an end in itself but a means to balanced, equitable and sustained development. Development, ultimately, was the best contribution to peace, equity and stability.

47. All the major international conferences since the Millennium Summit had promised to address the imbalances and inherent limitations of the multilateral trading system. There was therefore a need for coherence and coordination within the United Nations system, including UNCTAD, the Bretton Woods institutions and WTO. The Doha Ministerial Conference had been a milestone in the evolution of the multilateral trading system, incorporating an explicit pledge to place development at the heart of the Doha work programme. Developing countries should

be provided with concrete assistance to build supply capacity and safety nets, help cushion possible erosion of trade preferences and meet adjustment costs. There was also a need for coherence and consistency in trade, financial, monetary and technological policies in support of development.

48. In addition, the Board had considered many issues, including the special needs of least developed countries, reform of agricultural trade, commodities, services, non-agricultural market access, capacity-building and the Singapore issues in preparation for the forthcoming tenth session of the United Nations Conference on Trade and Development.

The meeting rose at 11.20 a.m.