United Nations E/2010/SR.4

Economic and Social Council

Provisional

23 June 2010

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 4th meeting

Held at Headquarters, New York, on Thursday, 18 March 2009, at 10 a.m.

President: Mr. Hamidon Ali . . . . (Malaysia)

Contents

10-27776 (E)

The meeting was called to order at 10.10 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (E/2010/11)

Opening of the meeting

1. **The President** recalled that in the Doha Declaration on Financing for Development and the outcome document of the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, States had called on the Economic and Social Council to work towards a strengthened and more effective multi-stakeholder intergovernmental process to carry out the financing for development follow-up. In its resolution 2009/30 of 31 July 2009 on a strengthened and more effective intergovernmental inclusive process to carry out the financing for development follow-up, the Council had recommended that a longer, more effective and interactive special high-level spring meeting of the Council should be held, that financing for development should be given more prominence in the work of the annual substantive session of the Council, that the General Assembly should give more prominence to its annual agenda item entitled “Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference” and that multi-stakeholder consultations, including with civil society and the private sector, should be held.

2. He drew attention to the note by the Secretary-General entitled “Building on Monterrey and Doha: towards achieving the internationally agreed development goals, including the Millennium Development Goals” (E/2010/11), and particularly the questions at the end of each chapter; that document had provided the theme of the meeting and contained substantive background information for the Council’s discussions. The general support for the decision to focus on substantive and operational aspects of the work of the Council, the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) showed that the participants in the meeting shared the same broad aspirations. He hoped that the event would promote closer relations among the organizations and institutions concerned and would make a difference to the people who were in urgent need of their collective help.

3. The Deputy Secretary-General said that the 2010 high-level plenary meeting of the General Assembly on the Millennium Development Goals (the “MDG Summit”) and the High-Level Dialogue of the General Assembly on Financing for Development, to be held on 23 and 24 March 2010, would provide crucial inputs for a concrete, action-oriented plan on achievement of the MDGs by the target date of 2015.

4. The report of the Secretary-General entitled “Keeping the promise: a forward-looking review to promote an agreed action agenda to achieve the Millennium Development Goals by 2015” (A/64/665) pointed out that progress towards the MDGs had been uneven, both across goals and across regions. While the food crisis and the global financial and economic crisis had compounded the challenge, the world possessed the necessary knowledge and resources. The previous decade had shown that the combination of sound national development strategies, investment in human capital and increased international support could lead to remarkable progress. The current meeting offered an important opportunity to generate greater momentum by focusing first and foremost on the needs of the poorest countries.

5. Multiple crises, natural disasters and the challenges posed by climate change had pushed many nations into emergency situations not of their making. Those countries needed immediate, coordinated and comprehensive support in order to help them follow a sustainable path of recovery, rehabilitation and long-term development. The terrible toll of the recent earthquake in Haiti was a painful reminder that disaster risk reduction remained essential for achieving the MDGs in vulnerable countries. Targeted interventions for the poorest, such as access to vaccines and medicine, free school meals for children and agricultural support, had powerful multiplier effects.

6. Those measures would go farthest if accompanied by long-term national development strategies, international support measures and systemic changes. Such action, in turn, required implementation of the global commitments enshrined in the Monterrey Consensus and the Doha Declaration on Financing for Development. The international community had recognized that developing countries had the primary responsibility for their own development. Indeed, many

developing countries, including those with special needs, had continued to implement economic reforms through sound macroeconomic policies, improved governance and increased public expenditures, especially on infrastructure. However, inequality, social exclusion and lack of participation continued to hamper national development efforts. The Monterrey Consensus and the Doha Declaration had therefore reaffirmed the need for women's empowerment and gender equality.

7. Promotion of gender-responsive public management of resources and budgeting, as well as increasing the voice of women at all levels of decision-making, must remain high on the agenda. At the same time, donors must increase their efforts to fulfil their official development assistance (ODA) commitments. Aid flows must provide budget support to developing countries in order to give them sufficient policy space to invest in education, health, infrastructure and capacity-building, and new and innovative sources of development financing should be explored and scaled up.

8. Developing countries had been hit hard by the decline in world trade resulting from the financial and economic crisis; public revenues of commodity exporters had suffered particularly from price volatility and depressed demand. Such developments underscored the importance of international trade in financing development and the urgency of completing the Doha Round of multilateral trade negotiations in 2010. The Round must deliver on its development objectives, including effective market access for the agricultural products and exports of developing countries, elimination of all export subsidies and substantial reductions in trade-distorting domestic support. The Doha Declaration also called for greater provision of grants and concessional loans, given the imperative of ensuring debt sustainability and reaching development goals. Efforts to develop an equitable and orderly international debt workout mechanism should be expedited in order to prevent future crises. The crisis had also led to an intensification of efforts to reform the international financial system and architecture.

9. Those efforts should be well financed and internationally coordinated and should help the world move towards a more equitable, stable and development-oriented international financial system. They should also build on recent steps to fully include developing and transition countries in international economic decision-making and norm-setting.

Statements by representatives of major institutional stakeholders on the overall theme, "Building on Monterrey and Doha: Achieving the internationally agreed development goals, including the Millennium Development Goals"

10. **Mr. Feyder** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that the international community must draw the necessary lessons from the current financial and economic, social, food and environmental crises and formulate responses based on the history of economic and social development. UNCTAD was preparing for the September 2010 MDG Summit and for the Fourth United Nations Conference on the Least Developed Countries, to be held in Istanbul in 2011. In recent months, it had held preparatory meetings on developing countries' debt, South-South and triangular cooperation for agricultural and food security in developing countries, the main challenges facing the least developed countries and the financing of productive capacity; an UNCTAD Global Commodities Forum would be held in Geneva on 22 and 23 March 2010. Initial conclusions would be submitted to the Executive Session of the UNCTAD Trade and Development Board in June 2010.

11. A key message that had emerged from those meetings related to the role of the State in development. Public policies should not be limited to countering the consequences of economic crises, as was currently the case in developed countries; the State should also play an active role in development by promoting the formation of fixed capital, the emergence of economic networks and the development of productive capacity. Industrial policies could support private businesses by channelling investment towards economically promising and socially desirable activities, as had been done in several Asian countries. External financing and debt reduction for poor countries should not be subject to conditions that restricted the State's capacity to promote development; however, the State must respect the basic rules of good governance: participation, justice, decency, responsibility, transparency and efficiency.

12. The United Nations strategy for achieving the MDGs must recognize that unless productive capacity in developing countries was increased and jobs were

created in order to generate income for people and the State and to sustain improvement in education, health and poverty indexes, only the symptoms, not the root causes, of poverty would be addressed. The effort to develop productive capacity must include agriculture, which had been neglected in recent years. Three quarters of the world's poorest people, who numbered over one billion, were smallholders, landless farmers and rural workers and the food crop deficit was reaching alarming proportions. Food-producing agriculture must be boosted and producers must be paid decent prices in order to avoid poverty and rural exodus. The focus should be on small farms, which had a large growth potential and were best able to respond to the challenges of climate change. Once again, the experiences of Asian countries deserved attention.

13. The development of productive capacity required financing and a favourable macroeconomic and trade environment. Developed countries should honour their commitments regarding ODA so that the poorest countries could import the necessary capital goods. While the entry of productive financial capital should be encouraged, developing countries must be able to mobilize their internal resources and channel them into productive investment, a process that did not follow automatically from market liberalization. Governments could not control the private sector's investment decisions, but it could influence them considerably through macroeconomic and revenue policies that gave companies the prospect of stable growth in demand. They could also make investment financing less expensive, either by encouraging private financial institutions to grant investment credit at a reduced rate or directly, through public financial institutions.

14. The financial crisis had revealed the existence of large amounts of capital searching for often-speculative gains in an artificial, uncontrolled financial universe that was completely disconnected from the real economy. The challenge for the international community was to channel capital in order to create a framework and mechanisms for restarting a world economy that was fairer and more socially conscious. In its early stages, productive capacity could not face international competition; developing countries required a higher level of special and differential treatment. As regional integration expanded internal markets and enabled economies of scale and specialization, it promoted real investment, the creation of local productive capacity and the development of regional production networks that strengthened South-South trade.

15. The enormous dangers posed by global warming called into question essential elements of current growth and consumption patterns. The solution must be based on international cooperation and on simultaneous respect for the environment and the right to development, which need not be contradictory if developing countries were included in the development of low-carbon-emission goods and services and of "green" technologies.

16. In the wake of the recent earthquake Haiti required special assistance, such as the reduction or cancellation of its external debt. It should also be granted favourable trade conditions so that it could access the markets of developed countries under good conditions and develop its productive capacity, particularly in the areas of agriculture and industry. The international financial aid that Haiti needed should be provided without conditionalities that would curb its development; the Marshall Plan, probably the most successful example of external aid in modern history for all parties involved, had not posed any conditions that limited public policy space. In the reconstruction of Haiti and elsewhere, lessons must also be learned from development experiences that had succeeded through pragmatic public policies far from the Washington Consensus.

17. **Mr. Dimian** (Deputy Minister of Finance of Egypt and Deputy Chair, International Monetary and Financial Committee) said that the financial crisis had sent the international community a message: the size and influence of the current global structural imbalances had placed severe pressure on the global economic architecture, and particularly on poorer countries. The international price volatility that had preceded the crisis had been a warning sign, but few had heeded it. Prudential regulations were behind the curve; there was a need for more empowered, effective, responsive, even-handed and candid supranational bodies. On the positive side, the crisis had led to unprecedented coordination among countries and institutions; they had aligned their policies, resources and vision of a more stable economic architecture. Proper exit from the non-conventional fiscal and monetary measures taken in response to the crisis and from the imbalances that had preceded it were needed.

18. The Group of Twenty and the Group of Twenty-Four had agreed that the International Monetary Fund (IMF) had a key role to play in that process. The International Monetary and Financial Committee (IMFC) was promoting a constructive agenda for renovating IMF, reviewing its mandate, increasing its outreach and ensuring its capacity to promote macrofinancial stability and address systemic risks. In October 2009, IMFC had issued a communiqué that called on the Fund to improve its governance structure, empower its surveillance apparatus and further develop its financing toolkit.

19. Under-represented economies must be given a greater voice while safeguarding the representation of the poorest countries. The Fund's entire governance structure, including its Board, staff, management and accountability mechanisms and IMFC, must be reviewed. Bilateral and multilateral surveillance must be broadened in order to allow for better IMF macrofinancial and systemic risk management functions and risks must be measured so that a risk map could be constructed. Special attention should be paid to country groups that posed the highest systemic risk to the stability of the global monetary and financial architectures; the Fund's Group of Twenty mutual assessment process could serve as a pilot in that regard. More comprehensive, timely and detailed data were needed so that IMF could play its proper role under surveillance.

20. With respect to the Fund's financing toolkit, it was important to build on existing initiatives such as flexible credit lines and high-access precautionary arrangements with a view to better outreach and more flexibility. More innovative financing programmes were needed in order to help States face individual, regional and systemic global risks. The membership should look into the size and composition of the Fund's resources, both permanent and temporary; IMFC had stressed that that should be done not in the context of the current crisis, but from a long-term perspective in order for the Fund to increase its credibility. The October 2009 communiqué provided for specific actions such as building on the Fund's central role in surveillance, helping Fund members develop comprehensive, orderly crisis exit strategies, meeting the agreed target of January 2011 for completing the fourteenth general review of quotas, implementing a more flexible framework for the IMF Financial Sector Assessment Programme (FSAP) and reviewing the Fund's mandate.

21. There was no doubt that the crisis had set back progress towards achievement of the MDGs; it had had an impact on basic education and health programmes and on efforts to close infrastructure gaps, lower unemployment rates and increase foreign direct investment (FDI) and capital flows. But the Goals could not be achieved solely through the use of emergency assistance tools such as development assistance. The MDGs rightly addressed both fiscal, trade and price imbalances (including asset price bubbles and fluctuations in international commodity prices) and capital and investment imbalances, which concerned not only the developing countries but the entire global architecture. IMF had a key role to play in dealing with all those problems.

22. Lastly, consideration should be given to the imbalance between the benefits that the developed world derived from the resources of the less developed world and the extent to which the developed world's endowments and know-how were benefiting the less developed world.

23. **Mr. Kodera** (Executive Secretary, Development Committee) said that work on the 2010 Global Monitoring Report on progress towards achievement of the MDGs, prepared by the World Bank and IMF, suggested that many developing countries had entered the current crisis in relatively strong economic conditions that largely reflected the policy reforms of recent years, and had thus been able to maintain social spending levels in order to mitigate the impact of the crisis on vulnerable groups. However, on the basis of past crises, it seemed likely that the crisis would have a lasting negative impact on health, education, employment and poverty. Strong external funding and further efficiency gains in government spending and service delivery would be needed if the developing countries were to ensure fiscal sustainability while maintaining essential investments in social sectors and infrastructure.

24. The Bretton Woods institutions had made exceptional efforts to intensify their support for member countries, and the speed and scale of their response had been unprecedented. IMF had increased its resources and made changes to its lending policies that should increase its concessional lending to up to US$ 17 billion through 2014, and the World Bank

Group had provided over US$ 90 billion in support to member countries since July 2008. During the same period, the Fund had provided about US$ 170 billion in new support, including precautionary financing.

25. In its October 2009 communiqué, the Development Committee had outlined a work programme leading up to its spring meeting, to be held on 25 April 2010. That work programme was laid out in a number of papers on which Board discussions were under way, including a paper that presented a strategic post-crisis framework and focused on the Group's comparative advantages and priorities in that regard; a paper on the Group's internal reform agenda, which set out the general parameters for the ongoing reforms designed to make it more effective, efficient and accountable; a discussion paper on World Bank Group voice reform; a report that provided an update on the review of International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) capital requirements, including discussions of possible contingent approaches; and a paper entitled "Strengthening Governance and Accountability: Review, Results, and Roadmap", which provided an update on the ongoing improvements to the Group's governance and accountability framework. A short paper summarizing the discussions in all those areas was being prepared.

26. The major expansion in lending in response to the crisis was stretching the capital of IBRD, the Bank's main non-concessional lending window, and of IFC, the private-sector-focused arm of the Group. On IBRD capital, significant progress had been made since October 2009. Discussions with shareholders had shown that there was broad agreement on the need for a general capital increase in order to further enhance IBRD financial capacity. There also seemed to be considerable support for using US$ 15 billion, the average sum lent annually by IBRD during the 10 years preceding the current crisis in real terms, as an assumed level of post-crisis lending for purposes of estimating its future capital needs. Efforts were being made to finalize a balanced package that included pricing, budget discipline, release of national currency paid-in capital and selective and general capital increases.

27. Management and shareholders were exploring interest in a possible special capital increase for IFC. However, such an increase would not be sufficient to enhance the Corporation's financial flexibility. A number of member countries had supported the introduction of an innovative instrument along the lines of hybrid capital; that and other options were being explored as part of an overall package designed to strengthen IFC resources.

28. With regard to voice reform, including initiatives aimed at strengthening the representation of developing and transition countries on the Board — an objective established by the Monterrey Consensus — shareholders had stressed the importance of moving towards equitable voting power in the Bank over time through the adoption of a dynamic formula that reflected countries' evolving economic weight and the Bank's development mission. Such a move would generate, in the next shareholding review, a significant increase of at least 3 per cent of voting power for developing and transition countries in addition to the 1.46 per cent increase achieved earlier under the first phase of voice reform. While recognizing that over-represented countries would make a contribution, shareholders had considered it important to protect the voting power of the smallest poor countries and had renewed their commitment to reaching agreement on the matter by the spring 2010 meeting.

29. Since the October 2009 meeting of the Development Committee in Istanbul, discussions with shareholders had made progress in a number of areas: economic weight; recognition of financial contributions, particularly from the International Development Association (IDA); recognition of development contributions; and protection of the voting power of the smallest poor countries. Discussion of which contributions should be recognized and how that recognition should be structured was ongoing. Shareholders had also supported the holding of a periodic shareholding review every five years, and an increase in IFC basic votes and a special capital increase were being considered. There would be a substantial package for shareholders; while each shareholder had had to make compromises, each of them stood to gain as well. As the spring meeting would be held in only five weeks, he urged shareholders to step up their efforts to meet the goal of agreement on wide-ranging World Bank Group reforms by 25 April.

30. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization), speaking on behalf of the Director-General of the World Trade Organization (WTO), said that the international

community had reached a critical juncture; having successfully faced a number of crises, it must now look at the remaining challenges and coordinate its efforts. The mandates of the respective organizations were more severely tested in times of crisis, something that reinforced the need for a unified approach and a results-oriented strategy.

31. The 2009 financial crisis had been the worst in living memory. Gross domestic product (GDP) growth had fallen by some 2.2 per cent, the first such fall since the Second World War. The International Labour Organization (ILO) had estimated that over 200 million people were unemployed, the highest level ever recorded, and that an additional 64 million people were living below the poverty line. The volume of world trade had seen an unprecedented decline of around 12 per cent in 2009, primarily because of the significant reduction in aggregate demand across all major world economies; the decrease in trade finance had also played a part.

32. The very nature of the global economic and financial government structure had been put to the test. The various responses to the crisis had had some success; financial market stabilization, global economic stimulus and the absence of significant protectionist measures had dampened the crisis and a global economic recovery appeared to be starting. Trade volumes were picking up; the World Bank predicted world trade growth of 4.3 per cent in 2010 and 6.2 per cent in 2011.

33. However, the recovery was still in its infancy. Many worried that the positive impact of national stimulus packages was transitory and were concerned about the budget deficits incurred by many Governments. The fragile state of the economic revival required continued vigilance, in particular because there had been no immediate trickle-down effects on the labour market. All too often in the past, prolonged periods of job losses and unemployment had prompted restrictive policymaking.

34. The multilateral trading system had passed the stress test of 2009 and the rules and commitments of WTO had insured against a cascade of protectionist measures. The 8 March *2010 Report on G-8 Trade and Investment Measures*, issued jointly by WTO, UNCTAD and the Organization for Economic Cooperation and Development (OECD), found that there had been no significant intensification of trade or investment restriction in the Group of Twenty countries since September 2009. Thus the multilateral trading system had proved both its value and its solidity against unbridled protectionism.

35. Economies needed new and sustainable engines of growth that enriched economies in the short and long term. Free and fair trade provided exactly such an opportunity. It was imperative to complete the Doha Round as soon as possible as it was the safest and most sustainable way to ensure stability, predictability and growth. The multilateral trading system was the only functional insurance policy against protectionism and must be further strengthened.

36. The conclusion of the Round would not only provide new market opportunities by reducing trade barriers and disciplining domestic subsidies; it would also reduce the fixed cost of trading by, inter alia, reducing customs procedures and red tape in negotiations on trade facilitation. By securing binding commitments from Member States, the Doha Development Agenda would provide more certainty in trading arrangements, thereby encouraging economic growth and job creation. It would also be essential to the achievement of Goal 8 of the MDGs.

37. A successful conclusion of the Round should be complemented by significant and targeted Aid for Trade, an initiative that had gained relevance as a result of the crisis. Aid for Trade sought to address the supply side and trade-related infrastructure constraints that inhibited the ability of developing countries to reap the benefits of the trading system. It was intended to help those countries increase their exports of goods and services, integrate them into the multilateral trading system and allow them to benefit from the liberalized trade and market access opportunities created by the Doha Round. It would enhance growth prospects and reduce poverty in developing countries and had already proved capable of adapting quickly to their needs. For example, it had rapidly been recognized during the crisis that the absence of global liquidity directly hurt exporters in developing countries. Support for trade finance through the provision of access to cheap, reliable credit had become one of the priorities of Aid for Trade.

38. Together with other multilateral agencies, WTO had been successful in mobilizing resources for Aid for Trade. Those resources had seen an annual growth of some 10 per cent, which had not come at the expense

of any other assistance. In 2007, global Aid for Trade flows had exceeded US$ 25 billion and when non-concessional lending for trade was added, that figure nearly doubled. However, the international community must ensure the continuation of those flows in future years and must show that Aid for Trade was effective, necessary and supportive of efforts to stimulate economic growth, foster development and alleviate poverty.

39. An early, development-oriented conclusion to the Doha Round, together with effective and enhanced Aid for Trade, would help ensure growth in global trade, prevent protectionist measures, make global rules fairer, create new market access opportunities for developing countries and help them build supply side capacity and trade infrastructure. All of those factors would further the achievement of the MDGs.

Interactive discussion

40. **Ms. Madrazo** (Head, Spanish Agency for International Development Cooperation), speaking on behalf of the European Union, said that substantial progress had been made in achieving the MDGs and, in particular, combating HIV/AIDS, malaria and measles; ensuring universal primary education, promoting gender equality and providing access to safe drinking water. However, as the report of the Secretary-General (A/64/665) pointed out, that progress had been uneven. The European Union looked forward to the MDG Summit as a unique opportunity to take stock; partnership, cooperation and joint responsibility were the key to realizing the MDGs.

41. At the Informal Meeting of Development Ministers, held in La Granja on 17 and 18 February 2010, the Ministers for cooperation and development of the European Union had emphasized that the MDGs were achievable with the right policies, adequate levels and quality of investment and international support. The MDG Summit should highlight the progress achieved, drawing on the lessons learned in order to determine actions for the years 2010 to 2015.

42. ODA had proved to be the most reliable source of funding for developing countries in the context of the global financial crisis. It was therefore important that States should meet their ODA commitments. At the same time, however, such aid would not in itself be enough to achieve the MDGs; the Monterrey Consensus had highlighted the value of exploring other innovative sources of finance. It was important to mobilize domestic resources for development by improving the management of public finances and the soundness and effectiveness of tax and customs systems in developing countries. Those countries must create an enabling business environment in order to attract foreign investment while combating tax evasion. The importance of remittance flows should not be underestimated; the European Union would continue working to facilitate such flows, including by reducing transaction costs.

43. In order to maximize synergies, the European Union encouraged the development of mechanisms designed to enhance policy coherence for development within and between international organizations. Increased aid effectiveness would help ensure that aid reached the poorest populations. It fully supported the steps taken to reform the Council and make it more relevant and efficient. Strengthened cooperation with the Bretton Woods institutions, WTO and UNCTAD was a crucial part of that process.

44. **Mr. Alyemany** (Yemen), speaking on behalf of the Group of 77 and China, said that the full effect of the crisis might remain to be seen, particularly in developing countries. Unemployment and underemployment continued to rise around the world and if the international community failed to contain the effects of the crisis and to address its root causes, the consequences would be unimaginable. In previous crises, the poor had been disproportionately affected; the international financial institutions should therefore be reformed and made more democratic and representative in order to counteract the impact of the crisis, avoid future crises and contribute more effectively to development.

45. The role of the United Nations in international economic and financial affairs should be strengthened, as should its coordinating role in global economic governance. It was important to promote cooperation between the organizations and the international financial institutions, including through an early review of implementation of the cooperation agreement between the United Nations and the Bretton Woods institutions.

46. The governing structures of the Bretton Woods institutions should be reformed in order to ensure the fair and equitable representation of developing countries and their senior management should be

appointed through a transparent, merit-based and credible selection process. Nations of the South must be fully represented in the international financial and economic decision-making process. Consideration should be given to ways of strengthening the role of the United Nations, and particularly of the General Assembly and the Economic and Social Council, in international economic and financial affairs while reviewing its coordination with the Bretton Woods institutions and other relevant international bodies.

47. **Mr. Braga** (Acting Vice President and Corporate Secretary, World Bank) said that although the recovery was proving stronger than expected, there remained huge imbalances across the global economy. Several emerging economies had been in a better position to respond to the crisis as a result of their sound macroeconomic policies, but the crisis had significantly affected the overall poverty alleviation agenda.

48. A major deleveraging was taking place in the private sector at the same time as a significant expansion in public debt; financing needs of OECD economies in 2010 would amount to some US$ 16 trillion, as opposed to some US$ 12 trillion before the crisis. One of the fundamental challenges facing the international community was how to coordinate those processes.

49. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that the international community must deliver on its commitments to ensure multisourced, predictable financing for development. Although individual countries bore the responsibility for their own development, an enabling international environment was also needed. The least developed countries faced several obstacles to the mobilization of domestic resources, including poverty. In order to confront those and other challenges, ODA commitments must be met. The least developed countries needed greater access to markets; tariffs and other barriers and distortions should be reduced. It was therefore important that the Doha Round should be concluded rapidly in an ambitious and equitable manner and that additional and substantial Aid for Trade should be made available. International financial institutions should ensure that the facilities established in the wake of economic crises were inclusive and well financed. In order to protect development and social goals, including employment, there should be fewer conditionalities.

50. There was a need for risk mitigation measures to encourage foreign direct investment (FDI). The debt burden on poor countries should be eased through sustainable debt management programmes and temporary debt moratoriums in order to direct resources to development activities. Peace, development and security were mutually reinforcing and must be supported simultaneously with targeted programmes. The least developed countries were particularly vulnerable as a result of their special constraints, including such natural disasters as the January 2010 earthquake in Haiti. Additional funding and legally binding measures were necessary in order to mitigate the effects of climate change.

51. The developing countries should be given a greater voice and more effective participation in international economic and financial decision-making processes. The international financial institutions should be rebalanced in order to better identify vulnerabilities, address problems with greater flexibility, and grant poor countries equal access to resources.

52. He supported the preparation by UNCTAD of the Least Developed Countries Report 2010. It had been reported that additional funds in the amount of between US$ 35 billion and US$ 50 billion would be needed just to sustain pre-crisis social programmes. He welcomed the report that Aid for Trade had increased by 10 per cent but wished to see disaggregated data in that connection.

53. **Mr. Li** Baodong (China) said that although the world economy was beginning to improve, developing countries still faced a huge challenge in reaching the MDGs on schedule. Member States had reached a consensus that effective action must be taken to accelerate that process.

54. At the Pittsburgh Partnership Summit held in September 2009, the leaders of the Group of Twenty had pledged to increase the voting power and quota share of developing countries in the World Bank and IMF by at least 3 per cent and 5 per cent, respectively. Those institutions had endorsed the decision and he hoped that it would be implemented.

55. Since the outbreak of the financial crisis, world trade had plummeted, and protectionism had increased; such measures affected developing countries the most. China supported the liberalization and facilitation of global trade and opposed all forms of trade

protectionism. The Doha Round should be concluded in 2010 with a comprehensive and balanced outcome, and WTO should increase its efforts to promote aid for trade and help developing countries strengthen their capacities.

56. The MDG Summit would provide an opportunity for Member States, and in particular the developing countries, to discuss their difficulties in achieving the Goals and reach consensus on future action while pressing for the developed countries to fulfil their responsibilities and commitments. His delegation welcomed the new format of the annual meeting with the Bretton Woods institutions, which would help the United Nations fulfil its function and ensure that the interests of Member States were effectively safeguarded.

57. **Mr. Galvez** (Chile), speaking on behalf of the Rio Group, said that he welcomed the comment made by the representative of UNCTAD regarding the need to raise the productive capacity of developing countries and create the greatest possible number of decent jobs. The United Nations played a central role in global economic governance and in ensuring the coordination, coherence and legitimacy of efforts to promote development.

58. **Mr. Rovirosa** (Observer for Mexico) said that the international scope and comprehensiveness of the Monterrey Consensus facilitated a broad-based approach to development issues that include the adoption of domestic policies to promote investment, social development and economic growth and the establishment of an international enabling environment for trade and foreign investment. ODA and responsible, sustainable debt reduction should be used to meet the financial needs of countries of the South. The financing-for-development agenda encouraged cooperation on the basis of consensus on shared values and interests.

59. That outlook could be particularly useful in reaching agreement on measures taken with a view to achievement of the internationally agreed development goals, and particularly the MDGs as a focus of international efforts. The MDG Summit should mark a watershed in the progress towards the Goals in all countries.

60. **Mr. Kleib** (Observer for Indonesia) recalled that there had been a number of crises since the Monterrey Consensus. Although the global economy was regaining stability, the financing and investments necessary for progress towards the MDGs had yet to materialize, especially for developing countries. Greater efforts to increase the liquidity of development financing were needed.

61. The mobilization of resources to finance development required faster reform of the global financial and economic system and a strengthening of its architecture so that it could meet new challenges and demands and better predict large-scale instability. In light of the need to strengthen the development platform of the Bretton Woods institutions, his delegation supported the efforts of the General Assembly to respond to the world financial and economic crisis and the Council’s follow-up to the outcome of the United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development, as well as the work of the Group of Twenty.

62. Efforts to build a stronger global partnership on financing for development could not be delayed on the pretext of the current economic crisis, and the Doha Development Round must produce an enabling international trade environment. Owing to the importance of national action in the mobilization of resources for development, countries must continue to implement the necessary macroeconomic, fiscal and development policies and refrain from protectionism, although developing countries must maintain their policy space.

63. **Ms. Dunlop** (Brazil) said that the Council should play a greater role in economic matters pursuant to Article 63 of the Charter of the United Nations while respecting the mandates and structures of IMF, the World Bank, WTO and UNCTAD. The Council’s broad agenda made it a unique forum for discussion and decision-making and its new meeting format presented an opportunity that must not be squandered in view of the urgent need for better coordination, coherence and consistency in international monetary, financial and trade policy matters.

64. The results of the meeting should be presented by the President of the Council at the April 2010 meeting of the Bretton Woods institutions so that he could convey the Council’s deliberations and consolidate dialogue with those institutions.

65. **Mr. McNee** (Canada) said that Canada was upholding its commitment to support achievement of the MDGs, which was a shared responsibility and a

global priority that required a collaborative approach, continuous efforts and sustained partnerships. Canada had made lasting contributions in the areas of child health, education, food security and support for agricultural development. However, the international community must also use best practices and lessons learned to close existing gaps.

66. Achievement of the Goals depended not only on aid volume, but on its effective use, country ownership, good governance and analysis of the impact of other non-ODA flows, such as trade, foreign investment, tourism and remittances.

67. Maternal and under-5 health care were areas where demonstrable results could be achieved; during its presidency of the Group of Eight, Canada would support developing countries' efforts to reduce the shocking and avoidable mortality rates in those areas. It would seek to build on the existing international momentum and to catalyse political and financial commitment in preparation for the September 2010 MDG Summit.

68. **Mr. Sammis** (United States of America) said that the dialogue among the Council, the Bretton Woods institutions, WTO and UNCTAD would help coordinate global efforts to achieve the MDGs. In addition, new ways to help countries with special needs would be found. Economic growth was returning and the United States wanted to ensure that it was inclusive and sustainable while protecting the world's poorest and most vulnerable.

69. Despite the challenges that the world faced, the international financial and trade institutions had fostered job creation, kept children in school, spurred private sector growth, made lending more flexible, supported the international financial system, helped track the effects of the economic downturn on trade and investment and formulated ideas for crisis emergence.

70. His Government's pledges under President Obama's Global Health and Global Hunger and Food Security Initiatives would make a major contribution to the achievement of important MDG milestones, specifically in the areas of infectious disease and the root causes of hunger. Under the Global Health Initiative, it had committed an unprecedented US$ 63 million over a six-year period; a further US$ 3.5 billion would tackle the causes of hunger through agricultural and economic development and improved nutrition.

71. **Mr. Valero Briceño** (Bolivarian Republic of Venezuela) said that the United Nations must play a leading role in the effort to reform the global financial and economic architecture; he urged the Organization to review its agreements with the obsolete Bretton Woods institutions with a view to greater representation for countries of the South.

72. His delegation had stressed that the international financial and economic system must introduce tight regulation of the international financial and economic system and strengthen the regional and subregional financial architecture, following the examples offered by regional institutions such as the bank of the Bolivarian Alliance for the Peoples of Our America.

73. The Bretton Woods institutions had enabled a few countries to maintain their monopoly on credit, impinging on the sovereignty of the nations of the South and hindering their development prospects. Their voting systems and operations must be reformed in order to give genuine representation to the developing countries. The current global capitalism crisis had a devastating impact on the peoples of the world, erasing the progress made in prior years and undermining the countries' prospects for achieving the MDGs, especially in the areas of poverty and social inclusion.

74. It was urgent to strengthen social investment policies and to take steps to maintain domestic production and decent jobs. Despite the crisis, his Government had increased social spending, which now accounted for half of the national budget.

75. **Mr. Alahraf** (Observer for the Libyan Arab Jamahiriya) said that, as the representative of UNCTAD had said, the developing countries must facilitate capital investment and provide an enabling environment for development. While FDI and other financial flows were important if developing countries were to achieve the MDGs, they should also encourage technology transfers and opportunities for employment. However, foreign investment concentrated on productive industries rather than on infrastructures or improvements in social services owing to their fear of risk, especially in the wake of the financial and economic crises. He asked how that risk could be shared and how national and regional financial institutions could facilitate such investment and ensure its success.

76. **Mr. Kvasov** (Dean of the Board of Directors, World Bank) supported the representative of Brazil's suggestion that the President of the Council should attend the April 2010 meeting of the Bretton Woods institutions.

77. He fully agreed with the representative of UNCTAD that there must be a focus on productive capacities, especially in developing countries, if they were to achieve the MDGs. To that end, there must be wide-scale job creation, not only in industry but also in agriculture. Indeed, capacity development was the logical next step in the evolution of the development paradigm followed by the World Bank.

78. In reply to the statement made by the representative of Yemen on behalf of the Group of 77 and China, he said that the World Bank was undergoing serious reforms, including merit-based selection, transparency in appointments, increased representation of developing and transitional countries in senior management posts, open selection of the President of the Bank and increased representation of sub-Saharan African countries.

79. **Mr. Edrees** (Egypt) reaffirmed the link between financing for development and the MDGs but pointed out that financing for development was a macroeconomic framework of tools, whereas the Goals covered a wide range of development issues.

80. The economic and financial crises posed real challenges and offered opportunities for recovery, but their potential could only be realized if the correct path was followed. Though not responsible for those crises, the developing world was bearing the brunt of them and the imbalances and fragilities of international economic governance must be addressed in order for developing economies to recover, with the United Nations playing an important role in the necessary reforms.

81. There was no African representation in international financial institutions, which remained undemocratic; reform was also needed in all other norm-setting and code-formulating bodies, where Africa had also been marginalized.

82. Restoration and reaffirmation of the development mandate of the Doha Round was crucial to the success of developing countries' efforts to achieve the internationally agreed development goals.

83. **Mr. Sumi** (Japan) said that the importance of good public financial management of tax and customs systems must not be forgotten when examining the gap between rich and poor, which existed not only between countries but also within them. He asked for ideas on how the Asian experience could be transplanted to other areas and noted the importance of South-South cooperation, which should extend beyond solidarity to include cooperative instruction and the sharing of examples.

84. **Mr. St. Aimee** (Saint Lucia), speaking on behalf of the Caribbean Community, said that small island States needed better and more reliable data from the international financial institutions; on the basis of the information currently available, it appeared that they had yet to experience economic recovery from the crisis.

85. The small Caribbean islands were classified as middle-income countries; some of them had real wealth, but even those with populations living only slightly above the poverty line had managed to ensure a decent standard of living for their people through good policies and frugal spending. He hoped that WTO, IMF and the World Bank would reconsider the situation of those States and provide new and innovative programmes to help them implement the proposals made by the representative of UNCTAD, particularly with regard to the transformation of agricultural products into saleable goods, and achieve the MDGs.

86. **Ms. Moorehead** (Executive Director, World Bank) said that there should be continued dialogue between the Council and the World Bank so that all actors could work together to reduce poverty.

87. She stressed the enormous significance of the reform agenda being undertaken at the World Bank, which would take time and require cooperation and compromise but had already resulted in greater effectiveness and accountability to shareholders and clients. She hoped that the President of the Council would, as had been suggested, attend the spring 2010 meeting of the Bank and play a greater role in its operations.

88. **The President** said that the Council welcomed the reforms undertaken by the World Bank and the suggestion that the ongoing dialogue between the Council and the Bank should be expanded.

89. **Ms. Brandt** (Executive Director, World Bank) said that she represented eight Nordic and Baltic countries on the Executive Board of the World Bank. Work must continue at many levels in order to improve coordination and cooperation between the United Nations and the Bretton Woods institutions. Since coherence began in the capitals of Member States, delegations must maintain close contact with their Governments. Meetings in New York and Washington would promote increased understanding of different roles and responsibilities and field offices should ensure good cooperation between representatives of the United Nations and of the World Bank, particularly in developing countries and difficult environments, in order to establish accountability and good governance and to provide assistance in post-conflict countries.

90. While there had been many good suggestions for supporting joint efforts to achieve the MDGs, one sensitive but important issue that had not been discussed was governance; weak governance led to challenges and impediments in developing countries and must be addressed.

91. **Mr. Rosenthal** (Guatemala) said that although the aim of the meeting was to look at the middle and long term, he was pleased to note that the participants had also spoken about the short term, when referring to the crisis, because its impact on the achievement of the Goals was enormous. While greater emphasis had been put on analysis than on possible solutions, there had been broad agreement on the need for conclusion of the Doha Round. The speakers had laid the foundation for serious engagement, dialogue and coordinated action on a common agenda.

92. **Mr. Dance** (Observer for the NGO Committee on Financing for Development, accredited through Passonists International) said he was pleased that the annual meeting with the Bretton Woods institutions had been expanded from one to two days.

93. Organization for Economic Cooperation and Development (OECD) indicators showed that ODA from large donor countries would not meet the Gleneagles Group of Eight target for 2010. At the Pittsburgh Partnership Summit, held on 24 and 25 September 2009, the Group of Twenty had asked IMF to provide a report on the “range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system”, which might include a financial transaction tax. He wondered how the Fund planned to address the speculation that had caused financial markets to undermine the priorities of the agriculture and industry sectors.

94. He supported the Deputy Secretary-General’s remarks on the need for an effective, fair and transparent debt workout mechanism since many poor countries risked entering another phase of the debt crisis; he would welcome comments on that issue from the panellists.

95. Regarding quota shares in IMF for developing countries, the participants in the Group of Twenty Summit had committed to the allocation of 5 per cent of aggregate shares and 3 per cent of World Bank shares to developing countries. However, many developing countries were calling for the allocation of at least 7 and 6 per cent of those shares, respectively. He would like to hear the views of the panellists.

96. He would also appreciate it if the representative of WTO would describe the measures that WTO was taking in order to end agricultural subsidies, which were particularly damaging to many countries of the South that were dealing with stresses created by the financial crisis.

97. **Ms. Kantrow** (Observer for the International Chamber of Commerce) said that during the past two years, the business sector had been actively involved in a series of United Nations meetings and conferences that had identified the crucial components of a global partnership for development and its interlinked priorities, which reflected a global consensus on the challenges to be faced and set out a road map for cooperative action by Governments, businesses and other sectors of society. Providing an enabling environment for enterprises of all sizes and sectors to develop, creating jobs and pursuing technological innovation and cooperation, coupled with sound governance and policies designed to reduce barriers to international trade and FDI, were the best way to eliminate poverty and achieve the MDGs. Since healthy and developing societies created new business opportunities and new markets, most businesses viewed the Goals as integral to their interests and to global citizenship. They shared the general concern at the rise of protectionist pressures as a result of the financial crisis and strongly supported the Doha

Development Agenda. It was incumbent on the developing as well as the developed world to resist protectionism.

98. It was important to recognize the United Nations as the global venue for coordination among all stakeholders, including the Bretton Woods institutions and WTO, in order to ensure the consistency and coherence of the array of international agendas related to financing for development in support of achieving the Goals. Mobilizing the private sector was a critical component of the effort to strengthen development financing. In order to capture the benefits of increased private sector investment, Governments and development agencies needed to work much more directly with the private sector in identifying investment impediments and remedies, enhancing government capacity to create business-enabling environments, and developing small and medium-sized businesses.

99. **Ms. Fiskaa** (Norway) called for a special effort to achieve the health-related MDGs; her delegation was particularly concerned at the lack of progress in reducing maternal mortality rates.

100. Good governance and a transparent international framework with policy space for all countries were imperative in securing democratic participation in decision-making. Formal democracy and proper macroeconomic management must be supplemented by more specific measures: a strong, transparent and well-functioning State with the will to impose taxes in order to pay for a sound public sector; an ambitious policy not only for entrepreneurship, but for fair distribution and equal opportunities for all; decent work and the protection of workers' rights; and the explicit goal of gender equality.

101. Strong measures were needed in order to address the problems of illegitimate and unpayable debt, illicit capital flows and capital flight from developing countries; her delegation therefore welcomed the debate on a new debt resolution mechanism. The international financial system that had produced the recent crisis was not characterized by transparency; her delegation supported efforts to curtail harmful practices in tax havens, increase the exchange of tax information and require financial institutions to know their customers. Coordination at all levels, including the Council's annual meeting with the Bretton Woods institutions, should be encouraged.

102. **Mr. Fayolle** (Joint Executive Director, International Monetary Fund and World Bank), replying to the Observer for the NGO Committee on Financing for Development, said that the requested IMF report on innovative sources of financing was under preparation. An interim report, which would include mention of a possible tax on financial transactions, would be discussed at the April 2010 ministerial meeting of the Group of Twenty and transmitted to the heads of State of the Group's member countries for consideration at their June 2010 Summit.

103. Since the beginning of the crisis, IMF had made every effort to protect social spending under its programmes with developing countries and had noted that in countries that had benefited from debt relief, social spending was on the rise. The Fund was changing the manner in which it worked with those countries through allocation of an additional special drawing rights (SDR) 10 billion; changes in the Fund's conditionality, including new ways of handling structural reforms in poor countries; and a reform of concessionality requirements that would provide financing to those countries at lower cost. Efforts were also being made to find innovative sources of financing in pursuit of the MDGs.

104. **Mr. Zainal Abidin** (Malaysia) said it had always been assumed that financing for development was linked to investment and production capacity. However, the crisis had showed that that link was not as strong as had been hoped and that the financial sector operated in a world of its own. He wondered whether the efforts to improve prudential regulation included restoration of the links between the real economy — investment in productive capacities — and the financial sector. It would also be useful for the Deputy Chair of IMFC to expand on his remarks on the imbalance between the benefits that the developing and the developed countries derived from the interaction between them.

105. **Mr. Rahman** (Bangladesh) recalled that at the Sixth Ministerial Conference of WTO, held in Hong Kong from 13 to 18 December 2005, it had been decided to provide duty-free and quota-free market access for at least 97 per cent of products originating from least developed countries by 2008 or no later than the start of the implementation period. In practice, however, most imports fell within the remaining 3 per cent because the developed countries could decide

arbitrarily which products to include in the percentage that benefited from improved access.

106. **Mr. Dimian** (Deputy Chair, International Monetary and Financial Committee), replying to the representative of Japan, said it was true that development plans and efforts to achieve the MDGs could not be built on aid or other discretionary transfers; domestic resource mobilization was essential. However, most developing countries had tight budgets and lacked the fiscal space to expand their development spending. The solution was to change fiscal policies in the medium and long term in order to focus not on closing gaps, but on promoting growth. Economies must generate residuals that could be taxed, making them less vulnerable to domestic or external crises and other factors. Such a process would be neither easy nor quick; it would require changing the entire tax system and the mind-set of institutions.

107. Concerning the imbalance between the mutual benefits derived by the developing and the developed countries, he pointed to the unfair prices paid to developing countries for commodities and to the high cost of importing finished products and technologies to those countries.

108. **Mr. Feyder** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that in September 2010, the international community would focus on the progress made and the remaining gaps in achievement of the MDGs. However, he wondered if the current strategy was sufficiently solid and ambitious to achieve the Goals by 2015 and whether it should not be modified to take productive capacity more fully into account. UNCTAD had been working on the three health-related Goals and while there had been some progress, it was clear that in order for health systems to succeed, they must be sustainable and that the necessary financing must come from increased productive capacity.

109. The lessons of the food crisis should be taken into account at the September meeting. More ODA and FDI should be allocated to the agricultural sector, which had been too long neglected, and industry and other productive sectors must also be included with a view to a sustainable, long-term reduction of dependence on ODA. The productive capacity deficit was too great to be addressed through ODA alone; innovative sources of financing were needed and the State must take a more active role in resource mobilization for the productive sector. Cooperation between the United Nations and the Bretton Woods institutions could play an important role, but he was not certain that that cooperation was sufficiently flexible to give States a role.

110. In reply to the representative of Japan, he said that in recent years, a number of Asian countries, including China, Japan, the Republic of Korea and Viet Nam, had conducted interesting development programmes in which the Government had played a key role. After the Second World War, many Asian States had introduced agricultural reforms that could serve as a model for other countries. It was important to give small producers predictable work — access to land — which did not necessarily require the distribution of land. Most farms in those regions were small, and the post-war Green Revolution had shown that larger farms were not a prerequisite for high productivity levels. However, it should be borne in mind that the Governments of those Asian countries, as well as those of third countries, had played a major role in the success of the reforms. That experience should be taken into account in updating development strategies.

111. Lastly, on the debt issues that had been raised by delegations, he explained that UNCTAD was compiling good management practices in preparation for the upcoming United Nations conference on restrictive business practices (the Sixth United Nations Conference to Review all Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices), to be held from 8 to 12 November 2010 in Geneva.

112. **Mr. Kodera** (Executive Secretary, Development Committee) said that he welcomed the increased interaction between the World Bank and IMF.

113. The five areas of reform currently being addressed by the World Bank Group were unprecedented. Any general capital increase would be the first of its kind in the past 20 years. At the October 2009 meeting of the Development Committee, participants had agreed that it was important to give developing countries a greater voice, to move towards equitable voting in the World Bank over time and to hold a meeting to review the Bank’s shareholding structure in five years. The Bank was working to achieve a significant quota increase of at least 3 per cent, and he was certain that a substantial package

would emerge from the spring meeting. The cooperation of all shareholders would, however, be required.

114. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that he welcomed delegations' comments on the urgent need to conclude the Doha Round and to preserve its development dimension; the Group of Twenty, in its most recent meeting, and the participants in the Seventh Ministerial Conference of WTO, held in Geneva from 30 November to 2 December 2009, had sent a similar message.

115. The Aid for Trade data were disaggregated on the basis of the information that WTO had obtained from, to date, 88 countries. Over the past two years, commitments for Nepal had risen from US$ 1.81 billion to US$ 2.21 billion and WTO would like to work with all the least developed countries to ensure that that trend continued.

116. The elimination of agricultural subsidies was a key issue. Although the Doha Round was not yet concluded, it seemed clear that it would result in a 65 to 75 per cent reduction in distorting subsidies, in keeping with the commitment made when the Round was launched.

117. In reply to the question from the representative of Bangladesh, he said that duty-free, quota-free market access for developing countries was a key issue for WTO and was consistent with Goal 8 of the MDGs. At the Sixth Ministerial Conference of WTO, the members had decided to provide such access for at least 97 per cent of products originating from least developed countries by 2008 or no later than the start of the implementation period. The fact that all but one of the members had met that target was an additional argument for a speedy conclusion to the Round.

118. **Mr. Dimian** (Deputy Chair, International Monetary and Financial Committee), adding to his previous explanation, said that the October 2009 IMF communiqué mentioned "a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented countries to under-represented countries". Thus, the 5 per cent figure had been put forward as a threshold, not a ceiling.

The meeting rose at 1.05 p.m.