United Nations A/65/130

General Assembly

Distr.: General
14 July 2010

Original: English

Sixty-fifth session
Item 19 of the provisional agenda*
Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference

Summary by the President of the General Assembly of the fourth High-level Dialogue on Financing for Development (New York, 23 and 24 March 2010)

I. Introduction

1. The General Assembly held its fourth High-level Dialogue on Financing for Development on 23 and 24 March 2010 at United Nations Headquarters. The overall theme of the meeting was "The Monterrey Consensus and the Doha Declaration on Financing for Development: status of implementation and tasks ahead".

2. The President of the General Assembly, Ali Abdussalam Treki, opened the meeting. Statements were made by the Secretary-General and the representatives of major institutional stakeholders, the World Bank, the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization. One Prime Minister, two ministers, six vice-ministers and many high-level officials from 67 Governments made statements to the plenary, including seven representatives speaking on behalf of groups of countries. The second day was devoted to three interactive multi-stakeholder round tables on selected themes, each followed by an informal interactive dialogue. Participants at those informal meetings included high-level representatives of Governments, 22 representatives of international organizations and observers, and 24 representatives of civil society organizations and the private sector.

3. The titles of the round tables and the informal interactive dialogue were as follows:

- Round table 1: The reform of the international monetary and financial system and its implications for development.

* A/65/150.

10-45174 (E) 040810

- Round table 2: The impact of the current financial and economic crisis on foreign direct investment and other private flows, external debt and international trade.
- Round table 3: The role of financial and technical development cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development.
- Informal interactive dialogue: The link between financing for development and achieving the Millennium Development Goals: the road to the 2010 high-level event.

4. The meeting had before it the report of the Secretary-General on the follow-up to and implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development (A/64/322) and the progress report of the Secretary-General on innovative sources of development finance (A/64/189 and Corr.1). The discussions held at the plenary meetings, round tables and interactive dialogue meetings are summarized below.

II. Plenary meetings

5. The President of the General Assembly opened the meeting by emphasizing that the current priority of developed and developing countries was to ensure a sustainable economic recovery from the world financial and economic crisis. In particular, developing countries continued to pay a heavy price for a crisis that was not of their making. It was thus crucial to increase the quality and quantity of aid, resist protectionist measures in international trade and arrive at a development-oriented conclusion to the Doha Round of multilateral trade negotiations. Moreover, international measures should ensure that developing economies, which had benefited from debt relief initiatives, did not fall back into debt distress because of the crisis.

6. According to the speaker, the crisis had revealed fundamental weaknesses in global economic governance. More regulation and enhanced oversight of financial markets, as well as reform of the governance of the international financial institutions, including an increase in the voice and participation of developing countries, were essential. The High-level Dialogue provided an important opportunity to review and mobilize policy actions towards addressing the challenges faced by developing countries, within the framework of the commitments contained in the Monterrey Consensus and the Doha Declaration on Financing for Development.

7. In his opening address, the Secretary-General pointed to the high human cost of the financial crisis as the world economy began its fragile recovery. He stressed that much more needed to be done by donors and international institutions to mitigate the suffering of the most vulnerable people. He recalled that the Conference on the World Financial and Economic Crisis and Its Impact on Development, held in June 2009, had emphasized that short-term responses to the crisis must be in harmony with longer-term development goals. Thus, the nine joint crisis initiatives, established by the United Nations System Chief Executives Board for Coordination, included immediate steps to address the impact of the economic

downturn as well as longer-term measures to generate decent work and lead to more equitable and sustainable development.

8. The achievement of the Millennium Development Goals must remain at the top of the United Nations agenda, particularly in the period leading to the summit on the Millennium Development Goals in September 2010, which should decide on a plan of action to meet the 2015 deadline. The Monterrey Consensus and the Doha Declaration on Financing for Development provided the framework for a true global partnership for development needed to reach the Millennium Development Goals through a combination of nationally owned development strategies, investment, trade, aid, debt relief and global economic governance reforms.

9. The Vice-President and Head of the Poverty Reduction and Economic Management Network of the World Bank, Otaviano Canuto, reflecting on the impact of the crisis, noted that even mild downturns could produce costly and long-lasting social effects since families with few alternative employment opportunities and little access to credit were frequently forced to reduce food intake or take children out of school. The World Bank's crisis response included, inter alia, mobilizing $87.6 billion in cumulative financial commitments during the period from 1 July 2008 to 31 December 2009. Those commitments were likely to surpass $100 billion by the end of April 2010. The crisis response efforts of the Bank were accompanied by extensive work to modernize its corporate governance and enhance the voice of transition and developing economies in decision-making. Development aid, debt relief and multilateral assistance offered opportunities for high-return investments, which in turn would help to rebalance the world economy towards a more sustainable and development-oriented growth pattern in the long term. According to the speaker, the mutual accountability framework enshrined in the Monterrey Consensus provided a solid foundation on which to build a more comprehensive framework to address global issues and reach the Millennium Development Goals.

10. The Associate Administrator of UNDP, Rebeca Grynspan, highlighted the fact that developing countries were faced with painful choices, as the need for service delivery increased and available funds dwindled. Increasing the quality and quantity of aid was crucial to avoid the dire long-term effects of service cuts in essential areas like education and to ensure the achievement of the Millennium Development Goals. Development assistance would have to be mobilized quickly for both the short- and long-term development needs. The speaker called for more progress on commitments to untie aid and improve mutual accountability and transparency in order to deliver unconditional and predictable finance for development. Traditional official development assistance (ODA) could be complemented by innovative sources of development finance, such as the International Finance Facility for Immunization and levies on airline tickets to finance HIV/AIDS, tuberculosis and malaria treatments.

11. The speaker called for building climate-change risk into ODA since, according to some estimates, 40 per cent of development investment funded by ODA and concessional lending was subject to climate risk. Developmental and environmental challenges must be tackled together to ensure policy coherence. More attention should be directed at reducing the debt burdens of low- and middle-income countries excluded from international debt relief schemes. In addition, financial inclusion should be enhanced to increase access to financial services for both potential savers and potential borrowers.

12. The Deputy Secretary-General of UNCTAD, Petko Draganov, emphasized that it was vital to refocus financial activities on catalysing physical and human investments and job creation based on the decent work principle in developing countries. For sustainable development, well-developed and diverse production capacities were essential, particularly for the least developed countries. Investments in physical and social infrastructure would also help to provide the necessary conditions for private investment.

13. The speaker recommended that Governments establish regulatory and macroeconomic frameworks that discouraged undesirable capital inflows and channelled resources towards productive investment. He further welcomed recent reform efforts within multilateral financial bodies that helped to rebalance decision-making power in the Bretton Woods institutions. Post-crisis measures by the international community had increased the financing capacity of the International Monetary Fund (IMF) and the World Bank. The speaker cautioned, however, that new resources should be carefully targeted at countries in need, without reverting to counterproductive policy prescriptions or onerous conditionalities. In this connection, the recent allocation of special drawing rights (SDRs) based on existing quotas was somewhat misguided, as it resulted in directing the bulk of the resources to developed countries.

14. The Director of the Development Division of the World Trade Organization, Shishir Priyadarshi, emphasized that the economic downturn resulting from the world financial and economic crisis had affected all sectors of the world economy. The multilateral trading system had resisted drastic increase in protectionist measures and helped to steer the world economic system back to a fragile path to recovery. The successful, development-oriented conclusion of the Doha Round of multilateral trade negotiations was essential for developing countries, which should mainstream trade into their development plans.

15. The speaker called for significant increases in aid for trade to allow developing countries to harvest the potential benefits from increased market access that would result from the successful conclusion of the Doha Round. This would foster development through trade and achieve a more equitable and development-friendly global economic order. Whereas recent efforts to mobilize resources for aid for trade had been successful, it was important to look at the challenges ahead, including increased pressure on donor countries and the uneven recovery of countries from the recent financial crisis.

16. Most speakers in the plenary addressed the issue of the reform of global economic governance with a view to increasing the voice and participation of developing and transition economies to reflect the changing world economy. It was pointed out that the "voice reform" of the Bretton Woods institutions, which was currently on the agenda, was not sufficient and some speakers specifically called for the expanded participation of African countries in those institutions, in ad hoc groups, such as the G-20, and in the norm-setting bodies. One speaker, representing a large group of countries, reiterated the view that the increase in quotas for developing countries should be no less than 7 per cent. Some speakers noted that enhanced representation of developing and transition economies in existing international institutions and arrangements would help to promote the legitimacy of those institutions and their decisions.

17. Many speakers called for strengthening the role of the United Nations in global economic governance and for greater use of the General Assembly as a natural forum for discussions on the macroeconomic issues and for the coordination of international development agendas and decision-making processes. This would require enhanced coordination and coherence within the United Nations and between the United Nations and the Bretton Woods institutions and the World Trade Organization. Several speakers recalled the ad hoc open-ended working group of the General Assembly mandated to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development. There should also be a role for regional and subregional organizations in ensuring policy coordination.

18. There was general agreement among speakers that mobilization of domestic resources was the primary source of finance for development. A number of speakers emphasized that, in order to implement policies needed to achieve that mobilization, developing countries needed sufficient policy space. Some speakers expressed preference for channelling development assistance through budget support. The need for fiscal reform was also underlined, including the broadening of the tax base, reform of tax administration and strengthening capacity to fight tax evasion. In this regard, the need for increasing international cooperation was stressed. A few speakers viewed the private sector as the driver of sustainable development and emphasized the need for an enabling environment for private investment, both domestic and foreign. Some speakers called for support to the public-private partnerships and corporate responsibility, noting that the Global Compact offered a solid and dynamic framework for leveraging the private sector.

19. Many speakers noted that it was necessary to mobilize a full range of international financing to supplement domestic resources. A number of speakers underlined the link between financing for development and the Millennium Development Goals, especially Goal 8. It was noted that the Doha Declaration on Financing for Development had called for mobilizing resources for development to achieve the internationally agreed development goals, through a longer-term strategy of development cooperation, which would take into account market access, technology transfer, food security, external debt and financing for climate change mitigation and adaptation.

20. In this regard, it was recognized that the conditions of countries with special needs, including the least developed countries, small island developing States, landlocked developing countries and countries in conflict and post-conflict situations, should be addressed and their needs should be placed high on the international development agenda. The importance and urgency of building capacities for long-term resiliency to economic shocks, natural disasters and climate change, especially in the most vulnerable countries, were also recognized. Moreover, it was important, according to some speakers, to focus on a coherent G-20 agenda that would follow up on commitments undertaken to foster economic recovery and strong, sustainable and balanced growth, to honour aid commitments and to explore new financing mechanisms and partnerships.

21. Almost all speakers called for the outcome of the Doha Round of multilateral trade negotiations to deliver on its development agenda and to use trade as a tool to promote sustainable development. Increased market access and reduced agricultural subsidies, taking into consideration the special needs of developing countries, would

have greatly contributed to financing for development. Some speakers called on developed countries to resist the temptation to resort to protectionist measures and to make efforts to improve the effective participation of commodity producers in the global trade.

22. A number of speakers emphasized that developing countries needed an enabling policy environment and appropriate regulatory mechanisms for attracting foreign investment for the development of productive capacities. Some speakers noted that foreign direct investment (FDI) could be especially beneficial in this regard and needed to be channelled to low-income countries through international cooperation in the use of risk-mitigation and guarantee mechanisms.

23. Most speakers stressed the need for developed countries to honour their ODA commitments, including the Gleneagles commitment to double ODA to African countries by 2010. There was a call for an expeditious decision during the next session of the General Assembly, in the context of the implementation of the New Partnership for Africa's Development, to establish a monitoring mechanism for all ODA commitments made to Africa. Improving aid effectiveness, while observing the principle of national ownership, was reiterated as a complementary objective to delivering on ODA commitments. While recognizing the importance of effective and efficiently delivered aid, a number of participants recognized that a set of coherent national and international policies was of equal importance to achieve sustainable development.

24. The importance of innovative sources of financing in supplementing traditional development assistance was noted. Some speakers expressed support for initiatives involving voluntary contributions and highlighted their value in targeting the specific needs of developing countries. One speaker focused on a specific initiative, by which proceeds from the auction of emission allowances could be used to finance climate change adaptation and mitigation activities in developing countries. Another speaker representing a group of countries called for a follow-up to paragraph 13 of General Assembly resolution 64/193 on financing for development, in which the Assembly called for an informal event on the potential of voluntary innovative sources of development finance, and offered support for holding such an event in preparation for the summit on the Millennium Development Goals.

25. Many speakers called for a just, lasting and development-oriented solution to the external indebtedness of developing countries to free up resources for development. Particular attention was paid to a number of countries whose economies relied on foreign-exchange-generating sectors such as tourism, which had been hit hard by the financial crisis and which experienced serious difficulties in servicing their external debt. The economic hardship had slowed their progress towards attainment of the Millennium Development Goals, directly affecting the food and energy supply. The view was expressed that, for those and other poorest countries, all debt relief options should be urgently considered, including debt cancellation and long-term debt relief without conditionalities. Some delegations expressed the view that highly indebted middle-income countries that were also vulnerable to external shocks should be granted access to concessionary loans and financing from international financial institutions.

26. Some speakers lamented the erosion of the financing for development commitments and called for continued work to strengthen the follow-up mechanism,

in accordance with the Monterrey commitment to "staying engaged". This would require stronger engagement of major institutional stakeholders beyond the official meetings. It was also pointed out that there was some convergence between the financing for development follow-up process and that of the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development. It was therefore important to address both processes from the perspective of financing for development. A number of speakers stressed the need to ensure that the main conclusions of the High-level Dialogue would provide an input to the consultative process for the September summit on the Millennium Development Goals.

III. Round table 1. The reform of the international monetary and financial system and its implications for development

27. Following opening remarks by the Chairperson, Gert Rosenthal, Permanent Representative of Guatemala to the United Nations, round table 1 featured three presentations, by José Antonio Ocampo, Professor in the Professional Practice of International and Public Affairs at Columbia University; Ranjit Teja, Deputy Director of the Strategy, Policy and Review Department of IMF; and Martin Khor, Executive Director of the South Centre.

Presentations by the panellists

28. Mr. Ocampo expressed the view that the United Nations should play a greater role in dialogues on world economic and financial issues. He stressed that the reform of the international financial system should focus on three sets of topics, namely, financial regulation, deep reform of IMF and the creation of a sovereign debt resolution mechanism. The reform agenda in the area of financial regulation should include regulation of capital accounts. This was particularly important for developing countries, which, thanks to their comparatively higher interest rates, attracted short-term capital, which could not be productively absorbed by them. As for IMF, it should become the primary organ for economic policy coordination, promote the use of SDRs and make its lending more automatic, predictable and with fewer or no conditions attached. The world also needed an international mechanism for sovereign and, probably, some private cross-border debt workouts. Such a mechanism, which had yet to be created, was indispensable for the orderly and timely resolution of debt crises.

29. Mr. Teja (IMF) discussed three broad issues in the IMF governance reform and mandate, namely, its governance structure, policy coordination and surveillance function and lending operations. The issue of governance was very important for the legitimacy of the Fund. In addition to re-alignment of quota in favour of developing countries, it involved the composition of the Board, as well as the process of management selection and staff diversity. An enhanced role in policy coordination would require high-level engagement via a reformed International Monetary and Financial Committee or some new organ. To strengthen its surveillance function, the Fund was placing more emphasis on the monitoring of developed and large emerging economies as well as financial markets. More attention was also paid to the implications of country policies for the rest of the world. Besides, IMF had become more active in dealing with the issue of capital flows, including through

collaboration with member countries on the feasibility of capital controls. The Fund was looking for further adjustments to its lending tool kit to make liquidity provision more automatic, predictable and significant.

30. In his presentation, Mr. Khor (South Centre) pointed out that the main lesson of the recent crisis was that finance should serve the needs of the real economy and, in the case of developing countries, the needs of development. Restoring finance, which had been too volatile and speculative, to its proper role required much more effective and strict regulation. In this regard, there was a need for reform of financial institutions. It was important that commercial banks concentrated on deposit and loan activities, rather than on proprietary trading. This should be done internationally, including in developing countries, to avoid regulatory arbitrage. Another important task was re-regulation of cross-border capital flows to discourage speculation. Accordingly, the role of capital controls should be re-examined and included in the reform agenda. In addition, the feasibility of the introduction of a tax on international transactions should be further explored. According to the panellist, the adjustment of trade imbalances required the redistribution of global demand. National policies should address problems of overconsumption in the United States and underconsumption in surplus countries, including not only China but also Germany and Japan.

Discussion

31. During the interactive exchange of views that followed, most speakers underlined an urgent need to strengthen global economic governance. It was noted that the United Nations was a unique forum for consensus-building; accordingly, its role and relevance in discussing global economic and financial issues should be strengthened. The view was expressed that the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development had represented a good example of successful consensus-building at the United Nations on international economic and financial issues. Therefore, there was a need for a strong follow-up mechanism to the Conference. Participants also referred to the need to establish closer links between the Bretton Woods institutions and the United Nations. The Bretton Woods institutions should fully participate in the United Nations intergovernmental process as members of the United Nations system.

32. At the same time, it was pointed out that it had thus far been quite difficult at the United Nations to move beyond discussions and to reach agreements, while the G-20 had emerged as a force capable of bringing on change. In view of the importance of enhanced macroeconomic and financial policy coordination, the decision to use the G-20 for these purposes was seen as a positive development. However, according to some speakers, a much better solution would be to assign this function to a representative organization, such as IMF. Several speakers stressed the importance of making the roles of the G-20 and the United Nations complementary. The G-20 should be supported by a number of United Nations organizations.

33. While discussing the reform of the international financial institutions, some speakers were of the view that there should be no veto in any of those institutions. Moreover, to ensure the direct or indirect representation of every country, the global economic governance bodies should have at least a constituency system, like IMF and the World Bank. Several participants called for the creation of a new global

regulatory mechanism. The need for a more democratic Financial Stability Board as well as more involvement of the United Nations was emphasized.

34. Many participants stressed that, despite recent important and positive changes, IMF lending could be further improved to make it more attractive to members. The policy on conditionality of lending should be further reviewed to make it less intrusive. It was noted also that the neo-liberal paradigm did not work and that developing countries should have appropriate policy space to take counter-cyclical measures and pursue nationally owned development strategies. Besides, IMF should collaborate more closely with regional monetary institutions.

35. Several speakers highlighted the importance of the reform of the global reserve system while also acknowledging that this was a longer-term process. It was suggested that the role of SDRs should be significantly increased, including their use for development purposes. Some speakers focused attention on the need to ease the developing country debt burden and to develop a mechanism for sovereign debt workouts. Several participants urged further consideration of existing proposals on these issues, including a moratorium on debt payments as well as the creation of a debt arbitration centre or an international bankruptcy court.

IV. Round table 2. The impact of the current financial and economic crisis on foreign direct investment and other private flows, external debt and international trade

36. In her opening remarks, the Chairperson of round table 2, Olga Algayerova, State Secretary of the Ministry of Foreign Affairs of Slovakia, noted that the past two years had seen a succession of global crises, which had affected advanced, emerging and developing countries alike. Depending on the degree of vulnerability to external economic shocks, the crises had the potential to seriously affect development and the achievement of the Millennium Development Goals. The round table featured two panellists, Daniel Titelman, Director of the Development Studies Division of the Economic Commission for Latin America and the Caribbean (ECLAC), who participated on behalf of the regional commissions, and Heiner Flassbeck, Director of the Division on Globalization and Development Strategies of UNCTAD.

Presentations by the panellists

37. Mr. Titelman (ECLAC) reflected on the impact of the recent crisis on global economic activity, including the severe effects on developing countries, inter alia through rises in unemployment. However, various developing countries and regions had been affected with different intensity and by different factors, which needed to be taken into account in evaluating the crisis and in fashioning ways of addressing its impact and preventing reoccurrences. Not all developing economies had the financial and fiscal capacity to mitigate the economic and social effects of the crisis, and to stimulate aggregate demand in particular. Moreover, many developing economies did not have the necessary productive capacity and production specialization to take advantage of the recovery in international trade.

38. In terms of recovery, according to the speaker, developing economies would grow faster than developed ones and some of them were expected to become the

engines of global growth. The main challenge of the post-crisis era was to avoid the mistakes of the past, namely the concentration of international financial resources in a small group of developing countries and a small group of productive sectors. The speaker also noted the need for a deep reform of the international financial architecture; the adoption of counter-cyclical policies to address the erratic behaviour of international financial markets; and greater global, regional and subregional coordination to develop early warning systems to avoid future crises, to establish new regulation and supervision schemes, and to coordinate policies with a view to increasing the level and efficiency of ODA. Regarding the early warning system, a panel of internationally renowned independent experts was one possibility. Factors like the surges in short-term unproductive and volatile flows into a number of emerging economies with high interest rates and the increasing role of speculation in driving commodity prices had been increasingly evident during the pre-crisis period and in the future could serve as warning signs.

39. Mr. Flassbeck (UNCTAD) underlined the need to evaluate the recent crisis in a holistic fashion and to analyse what could have been done in terms of economic policy to avoid it. He observed the danger that Governments' attempts to exit from the current high fiscal deficits could be accompanied by cuts in ODA, which would send a negative signal for development. According to the speaker, in response to the crisis there was an urgent need for serious discussion on the new international financial architecture, including the global monetary system. In the long term, the only way forward was for currency valuation to be less driven by speculators, because currency floats had not exposed countries to sudden shocks. In addition, it was necessary to consider a new regime for dealing with volatile commodity prices. The importance of reaching an appropriate balance between economic stability and development was noted, and this entailed considering the adoption of counter-cyclical policies and instruments, as well as measures such as a tax on international currency transactions and national capital controls.

40. Turning to trade, the speaker stressed the need to finalize the Doha Round of multilateral trade negotiations. He pointed out, however, that the crisis had changed the relative prices in the global economy dramatically and that therefore all calculations and assessments of the benefits to be derived from a certain set of arrangements, such as the conclusion of the Doha Round, needed to be re-evaluated. The international community had to take a step back and rethink the entire development strategy, by considering all of its interconnected aspects, instead of just focusing on trade or capital flows.

Discussion

41. During the ensuing discussion, several speakers agreed that the nature and intensity of the crisis, and the speed and strength of the subsequent recovery, had varied and would continue to vary between different regions and countries, as well as between different types of financial and trade flows. This needed to be factored in when attempting to mitigate the impact of the crisis, dealing with the post-crisis world and seeking to prevent reoccurrences in the future. Some participants expressed concern that, even if an early warning system was developed, a challenge remained of how to ensure that it was listened and responded to.

42. Several participants stressed the need to address the plight of many middle-income countries, which were vulnerable to the effects of the crisis and were highly

indebted, yet lacked proper access to concessional finance. Other participants pointed to the role of women, who had been severely affected by the crisis, yet were a key to recovery, in mitigating the effects of the crisis and preventing reoccurrences in the future.

V. Round table 3. The role of financial and technical development cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development

43. Following opening remarks by the Chairperson, João Gomes Cravinho, Secretary of State for Foreign Affairs and Cooperation of Portugal, round table 3 featured three panellists: Princess Maxima of the Netherlands, Special Advocate of the Secretary-General for Inclusive Finance for Development; Philippe Douste-Blazy, Special Adviser to the Secretary-General on Innovative Financing for Development; and Simon Scott, Head of the Statistics and Monitoring Division of the Organization for Economic Cooperation and Development (OECD).

Presentations by the panellists

44. Princess Maxima of the Netherlands focused her presentation on the importance of universal access to the formal financial sector, including a full array of financial services, for people in developing countries, especially for those with low and uncertain income as they required more financial management to smooth their consumption. The challenge was to provide formal services that were as flexible and accessible to the poor as those currently provided by the informal sector. If successful, this would help to reduce income inequality, shrink the shadow economy and thus increase tax revenue in the countries. Financial sector development was key to development and evidence showed that “inclusiveness” led to an increase in investment and growth.

45. As an example of a successful public-private risk-sharing mechanism, the speaker mentioned a partnership between the Netherlands Development Finance Company, a development bank, and the Government of the Netherlands, which created a $400 million Government-financed fund, called “Massif”. Active in 50 countries, Massif offered financing to participating financial intermediaries which, in turn, offered a variety of financial services, including savings accounts, credit, mortgages and insurance to millions of people. Thanks to the special partnership, Massif was able to take on the kinds of risks that were too high for development banks or commercial banks. The speaker suggested that more attention should be paid to financing small and medium-sized enterprises, in a fashion similar to traditional microfinance. She recalled that small and medium-sized enterprises were responsible for 70 per cent of job creation in the OECD countries. She also pointed out the need for a global association of small and medium-sized enterprises similar to the one for microfinance.

46. Mr. Douste-Blazy (Special Adviser to the Secretary-General) spoke about the potential of innovative financing for development, which goes beyond traditional ODA in mobilizing a fraction of global resources, especially in view of the

shortfalls in meeting ODA targets and the demand for resources in response to new and emerging needs, such as climate change mitigation and adaptation and food security. He highlighted the achievement of UNITAID through the airline solidarity tax and called attention to the work of the Leading Group on Innovative Financing for Development. He suggested that the United Nations should play a key role in this area and encouraged the setting up of an intergovernmental group on innovative development finance.

47. The speaker also advocated the timely introduction of the financial transactions tax as a source of funding dedicated to development, with a potential to contribute to the fight against communicable diseases such as tuberculosis and malaria, child mortality, early deaths and malnutrition. The speaker was of the view that the time was right for a financial transactions tax for development as the Heads of Government of many countries, including the United Kingdom, France and Germany, various United States economic authorities, Nobel laureates and others had expressed their support for this initiative. According to the speaker, global public opinion was also demanding payback from financial speculators for losses that others, including the poor, were now bearing. He welcomed the setting up of the High-level Task Force on International Financial Transactions for Development by the Leading Group and looked forward to its forthcoming report.

48. At the outset of his presentation, Mr. Scott (OECD) pointed to the positive role played by the Monterrey Consensus in increasing ODA through the agreed target of 0.7 per cent of GNI, which served as a mobilizing force. ODA had increased by 35 per cent in real terms since 2004. Despite increases, there were shortfalls in meeting ODA commitments by seven Development Assistance Committee countries. Given the past performance of donor countries and current fiscal pressures, OECD now predicted a $17 billion shortfall in 2010 ($13 billion shortfall to Africa) in reaching the 2005 commitments. The speaker was of the view that realistic adjustments to the targets might be needed to sustain momentum and credibility.

49. Fulfilling commitments to ODA targets required medium-term planning by donor countries. Experience had shown that those donor countries that met their targets had medium-term budgetary plans in place for aid targets. The speaker was of the view that all donors needed to establish clear and realistic medium-term spending targets for aid, and to meet them with year-by-year increases. This would allow developing countries to plan their budgets in advance on the basis of a realistic expectation of their aid inflows.

Discussion

50. During the interactive discussion that followed, there was a broad-based agreement that, in view of ODA shortfalls, it was particularly important for all stakeholders to make efforts to increase aid effectiveness in accordance with the Paris Declaration and the Accra Agenda for Action. Some participants called for enhanced partnership with the private sector and civil society to make aid more effective and to transfer knowledge and skills to recipient countries and organizations involved in capacity development in the field. On the emergence of non-traditional donors, a call was made for outreach to collect reliable and uniform statistics on their aid contributions. OECD was already providing technical assistance to some non-OECD emerging donors in order to build their capacity to report their aid statistics in conformity with international standards.

51. Mobilization of domestic resources was another area that should be advanced, in addition to better coordination of bilateral and multilateral aid efforts. This included universal access to finance, which was critical for inclusive development but might present a challenge in the aftermath of the recent financial crisis. The importance of developing financial infrastructure at the national level for promoting inclusive finance was emphasized, in order to tap into the potential of savings for channelling resources into the productive capacities of developing countries.

52. Many speakers expressed support for innovative financing mechanisms which would complement ODA and secure additional and sustainable funding to achieve the Millennium Development Goals by tackling specific problems, such as illicit capital flows and tax evasion. Some expressed the view that the mechanisms, which proved to be successful in health sector, should be applied to climate change finance, especially in view of the target for 2020 adopted at Copenhagen. It was pointed out that the major sources of finance in this area were private investments, with the focus on adaptation of technology within existing projects rather than on developing new technology. The suggestion was made that the future contributions received by UNITAID could be split between health and climate change.

53. Some delegations expressed their concerns that setting up systems for innovative sources of finance in parallel to ODA might hamper aid effectiveness and burden developing countries. With respect to new mechanisms, a view was expressed that they should be cost-effective, result-oriented and funded by voluntary contributions chiefly from the private sector. Moreover, the focus should be on the improvement of existing mechanisms. A few delegations expressed their reluctance to support the introduction of non-voluntary schemes, such as an airline solidarity tax, in view of the potential negative impact on certain economic areas (for example, tourism, the airline industry and the financial sector), especially during an economically difficult time. In response, one speaker recalled the experience of the airline solidarity tax, which had not curbed the demand for air tickets, and had no adverse impact on tourism in developing countries because the amount of tax was very small and it was imposed on passengers from developed countries.

54. One specific initiative that attracted considerable attention was the proposed tax on financial transactions. A report on this issue was expected to be discussed in the European Union. The discussions would also include other instruments of innovative financing. Some participants expressed the view that the United Nations should play a greater role in this area and supported the idea that a United Nations intergovernmental group on innovative financing be established. A call was made to organize, in preparation for the September summit on the Millennium Development Goals, an informal event on the potential of voluntary innovative sources of development finance, as mandated by the General Assembly in resolution 64/193.

VI. Informal interactive dialogue: the link between financing for development and achieving the Millennium Development Goals — the road to the 2010 high-level event

55. Following the opening remarks by the Vice-President of the General Assembly, the informal interactive dialogue featured two presentations, by Zia Qureshi, Senior Adviser in the Office of the Chief Economist of the World Bank; and Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs of the United Nations Secretariat.

Presentations

56. Mr. Qureshi (World Bank) emphasized that the recent economic crisis provided an opportunity for fresh thinking on international economic cooperation between developed and developing countries. This new type of cooperation should be based on mutual benefits and harness the increased levels of South-South cooperation. The restoration of conditions for strong and sustainable economic growth required cooperation across all categories of countries. While the acute phase of the economic and financial crisis seemed to be over, many challenges remained to secure the recovery and restore solid growth, such as designing appropriate exit strategies from stimulus packages and implementing financial sector and other structural reforms. Whereas policy responses in China and India allowed them to recover swiftly, substantial slack remained in most middle-income countries. The speaker stressed that low-income countries were initially less affected because they were less integrated into the international financial system, but as the crisis spread and deepened the impact had been significant, through the reduction of export volumes, remittances, tourism, commodity prices, terms of trade, FDI and other capital flows. The development consequences of the crisis were likely to be severe and long lasting and the outlook for the achievement of the Millennium Development Goals had worsened.

57. Consequently, more support for developing countries was needed. Financial assistance should not be seen as a handout, but rather as an investment in strong, sustainable and balanced global growth, which would benefit the world economy. To this end, the speaker called for more investment in the developing world by high-income and surplus reserve-rich countries, as well as more South-South investment by countries like China. More lending from the multilateral developing banks, accelerated delivery on ODA commitments, innovative financing modalities, including public-private partnerships to fund key global public goods and development-linked global programmes, as well as significant carbon-related resource flows to developing countries, would help to provide much-needed funds for development. Moreover, multilateral and bilateral insurance schemes to mitigate the risks of long-term private investors, stronger international financial safety nets to reduce the demand for reserves for self-insurance purposes, resistance to protectionist measures and support to the global trade agenda, as well as continued progress in economic reforms in developing countries, would help to release additional resources for sustained economic growth and poverty eradication.

58. Mr. Jomo (Department of Economic and Social Affairs) discussed the challenges ahead in the context of the implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development. In reference to

mobilization of domestic resources, he mentioned that several myths pervasive in recent years had been dispelled by the recent crisis. Experience had shown that the savings rate followed rather than led the investment rate and that development would lead to improved governance, and not necessarily vice versa. The speaker highlighted the significant loss of fiscal revenues due to inadequate international tax cooperation and emphasized that, overall, net capital flows had gone from the South to the North. Moreover, over the years, the costs of financial transactions had not been significantly reduced, while instability and volatility had increased. The speaker highlighted the fact that FDI often followed and did not typically lead domestic investment. In recent years, there had been a decline in FDI, particularly in developing countries. Furthermore, most FDI had been "brown field", which merely acquired existing production facilities, and not "green field" investment, creating new economic capacities and jobs. In the least developed countries, FDI was not creating sustainable growth as it had been geared mainly towards mineral exploitation, with few linkages to the rest of the domestic economy. Regarding trade, the speaker stressed the deterioration in the terms of trade of both primary commodities and manufactured goods from developing countries. Aid for trade should provide compensation for the loss of revenue and of productive and export capacity due to trade liberalization besides financing new productive and export capacities.

59. With respect to aid, he mentioned that, while some claim no positive relationship between aid and economic growth or development, there is a clear positive link if politically driven aid is excluded. Innovative sources of financing, like taxes on financial or currency transactions, as well as aid for trade and finance for climate change adaptation, could provide important additional resources for development. The speaker emphasized that national ownership and policy space are critical for increased aid effectiveness. With regard to debt, not only least developed countries, but also transition economies and some developed countries had experienced major problems recently despite significant progress in recent years. Future sovereign debt crises were likely to occur and a new equitable and inclusive debt sustainability framework with a debt arbitration tribunal and debt workout facilitation are needed to address them. The concept of a robust debt restructuring mechanism should be revisited. The United Nations, as the most inclusive and legitimate forum, should also lead efforts to improve the coherence and consistency of the international financial system in support of development. The reform efforts need to address the democratic deficit in international financial institutions and tackle financial and monetary regulatory issues. The speaker underlined significant points of recent convergence between the United Nations and the Bretton Woods institutions in their responses to the world financial and economic crisis. The international community should seize on those shared policy views to promote closer multilateral cooperation. Moreover, there is an urgent need to expand and strengthen the global partnership for development for all stakeholders, as called for in Millennium Development Goal 8.

Discussion

60. During the discussion that followed, there was broad consensus that achieving the Millennium Development Goals required the scaling up of action on the part of both developing and developed countries. Goal 8, on a global partnership for development, was based on the principles enshrined in the Monterrey Consensus

and reaffirmed in the Doha Declaration on Financing for Development. Speakers emphasized that the global partnership provided the foundation for the achievement of all Millennium Development Goals. Its implementation called for a concerted and sustained effort on the part of all relevant stakeholders, including Member States, institutional stakeholders, civil society and the business sector. In particular, the cooperation between the United Nations and the international financial institutions, including the Bretton Woods institutions, should be improved. Member States emphasized the need to explore ways to strengthen the financing for development follow-up process in the interest of meeting the Millennium Development Goals.

61. Many speakers noted that the recent world fuel, energy, financial and economic crises had led to lower incomes and higher unemployment in developing countries as a result of drops in external flows, lower export revenues and decreases in remittances. This threatened the hard-won and uneven gains made in the fields of poverty reduction, health and education. To counteract the negative impact of the crises, especially in countries with special financing needs, meeting the targets of Goal 8 was crucial. The international community should deliver on its ODA commitments, enhance aid effectiveness and reduce conditionalities. It was noted that the quality of statistics needed to be improved to make aid more effective, particularly for countries with special needs. Innovative sources of finance had shown their effectiveness in providing additional resources for the realization of the Millennium Development Goals and should be promoted and explored further.

62. Several speakers emphasized that the international community needed to galvanize efforts to progress on those goals falling far short of agreed targets, especially the reduction of maternal mortality, as well as the promotion of gender equality and environmental sustainability. They pointed out that mechanisms to lower pharmaceutical prices had the potential to advance health targets, while enhanced access to technology could provide powerful tools to deal with climate change and increase agricultural productivity. While the importance of focusing development aid and other financial flows on achieving the Millennium Development Goals was generally recognized, some speakers also highlighted the need to follow longer-term development policies that reach beyond the Millennium Development Goals.

63. Many participants called for fulfilling the development promise of the Doha Round of multilateral trade negotiations, increasing aid for trade to compensate for loss of tariff revenues and resisting protectionism, as well as extending measures to achieve the debt sustainability of developing countries. Some speakers also highlighted the importance of the private sector in achieving the Millennium Development Goals and called for the creation of an enabling environment for business investment.

64. It was stated that good governance at all levels was crucial for the attainment of the Millennium Development Goals. Domestically, developing countries should continue to implement national development strategies aimed at poverty reduction, job creation and sustained economic growth. In this regard, it was crucial to provide them sufficient policy space. At the international level, the recent world financial and economic crisis had highlighted the need for comprehensive reform towards a more equitable, coherent, participatory and development-oriented international financial architecture.