United Nations

E/2012/SR.4

Economic and Social Council

Provisional

13 September 2012

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 Monday, 12 March 2012, at 10 a.m.

President: Mr. Koterec. . . . . (Slovakia)

Contents

12-25780 (E)

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

Coherence, coordination and cooperation in the context of financing for development (E/2012/7)

Opening of the meeting

Opening remarks by Mr. Miloš Koterec (Slovakia), President of the Economic and Social Council

1. **The President** said that the annual special high level meeting with the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) had become a major forum for enhancing coherence, coordination and cooperation in implementing the Monterrey Consensus of the International Conference on Financing for Development and the Doha Declaration on Financing for Development. The 2012 meeting was being held at a time of global economic uncertainty and a slow recovery from the financial and economic crisis that had had an impact on all countries, although it had hit developing countries and poor and marginalized populations the hardest.

2. Global economic prospects were affected by a number of factors, including the fragile state of public finances in many developed economies, continuing financial sector weaknesses, volatile food and energy prices and climate change. Governments should take urgent action to foster sustained growth and development, a task made all the more difficult by deep-seated political and ideological differences among them. The note by the Secretary-General on coherence, coordination and cooperation in he context of financing for development (E/2012/7) addressed not only the overall theme of the special meeting — coherence, coordination and cooperation in the context of financing for development — but also its two sub-themes: promoting sustained, inclusive and equitable economic growth, job creation, productive investment and trade (Theme 1) and financing of sustainable development (Theme 2).

3. The effective promotion of sustained, inclusive and equitable economic growth, job creation, productive investment and trade required a wide range of national and international actions, including coordinated economic stimulus and job-creation measures in the short term and fiscal consolidation in the medium term; premature fiscal tightening should, however, be avoided since it might worsen economic and employment conditions. It was also necessary to encourage the establishment of modernized, equitable and effective tax systems, enhance access by the poor to basic financial and non-financial services, promote private sector development and facilitate productive investment in both physical and social infrastructure.

4. For developing countries, such efforts required considerable support from the international community, including the provision of technical assistance, fulfilment of official development assistance (ODA) commitments and establishment of a more equitable and universal trading system. Those actions in turn required significantly enhanced coordination, cooperation and coherence among Governments and within the United Nations system and a stronger global economic governance framework.

5. The financing of sustainable development was a key policy priority of the international community, but the transition to a green economy would require considerable investment in major structural and technological changes. It was important to explore ways for the public and private sectors to work together to mobilize resources for sustainable development. For example, Governments and multilateral institutions could leverage private finance by mitigating risks; building capacities in critical areas; providing stronger incentives; and adopting a range of measures, including taxation and regulatory policies that fostered green investment and microfinance and the imposition of a financial transaction tax.

6. The global climate change finance architecture should be streamlined and consolidated and sustainable development should be made the centrepiece of national and global policies. It was widely believed that the Council’s system played a pivotal role in that regard, and the meeting was proof the it could bring together a broad range of actors and generate ideas that could shape global action, including in preparation for the thirteenth session of UNCTAD (UNCTAD XIII), to be held in Doha from 21 to 26 April 2012, and the United Nations Conference on Sustainable Development (Rio+20), to be held in Rio de Janeiro from 20 to 22 June 2012.

Statement by Mr. Nassir Abdulaziz Al-Nasser (Qatar), President of the General Assembly, delivered by Mr. Mutlaq Al-Qahtani, Chef de Cabinet of the President of the General Assembly

7. **Mr. Al-Qahtani** (Chef de Cabinet of the President of the General Assembly), delivering the statement by the President of the General Assembly, said that many developed and developing countries were struggling with the impacts of the global financial and economic crisis, which had hit the most vulnerable countries and populations the hardest. It was incumbent on the international community to ensure that present and future generations could lead productive, healthy lives in harmony with nature. The two themes chosen for the meeting were appropriate and timely in light of the defining challenge of the twenty-first century, that of building a sustainable future. Indeed, the President of the General Assembly had identified sustainable development and global prosperity as a key focus of the Assembly's current session and would convene a High-Level Meeting on the State of the World Economy in May 2012 in order to discuss the current economic and financial developments and challenges.

8. UNCTAD XIII would provide an opportunity for much-needed reflection on the impact of the world financial and economic crisis on trade and development, in particular for developing countries; Rio+20 would also offer a historic opportunity to catalyze the development of a more equitable, resilient and low-carbon economy for the twenty-first century. Promoting growth, jobs, sustainable development and the transition to a green economy would require the design of effective policies and the mobilization of sufficient resources. It was therefore crucial to address those challenges within the financing-for-development framework.

9. In the wake of the crisis, a new system of global economic governance that both anticipated and addressed emerging medium- and long-term issues was critical for ensuring greater international financial stability and responding to the new challenges of globalization and the realities of the twenty-first century. To that end, it was important to strengthen the role of the United Nations, the only truly universal multilateral forum, whose legitimacy gave incomparable value to its discussions, negotiated agreements and operational activities.

Statement by Mr. Anthony Mothae Maruping (Lesotho), President of the Trade and Development Board, United Nations Conference on Trade and Development

10. **Mr. Maruping** (Lesotho), President of the Trade and Development Board, United Nations Conference on Trade and Development, said that the vision of greater coordination and cooperation reflected in the themes of the meeting was timely; the effects of the global financial and economic crisis were still being felt, particularly in the least developed countries, and it was imperative for the key players to agree on coherent, consistent policy measures and ensure a coordinated approach to implementation. UNCTAD stood ready to work with other international bodies in order to ensure complementarity and take full advantage of synergies; its delivery had always been needs-based, demand-led and member-driven.

11. The crisis had quickly spilled over into the real economy. It had increased trade and production financing constraints, protectionism, poverty and unemployment; lessened the demand for imports, enthusiasm for the Doha Round of multilateral trade negotiations, the production of goods and services, trade, external reserves and government revenues; and set back progress towards the Millennium Development Goals (MDGs). Food price instability, energy price hikes, financialization of the commodities market and the intensifying effects of climate change had also taken their toll on developing countries. The world's earnings gap increasingly favoured capital over wages and salaries, and the global imbalances had been exacerbated by the widening gap between surplus and deficit countries among the major world economies. The trend towards growth of the financial, rather than the real, economy continued and he destabilization of short-term capital flows into and out of the economies of developing countries was increasing. UNCTAD had accurately predicted the crisis on the basis of long-term trends and a system that had already shown signs of malfunction. It had a significant role to play in the areas of research, analysis and consensus-building and should be renewed and strengthened.

12. Bold and innovative approaches were needed in order to address the global financial and economic situation and should include the timely and consistent application of monetary, exchange rate, fiscal and income policies; effective financial supervision and regulation; improved sovereign debt management; facilitation of remittance flows; and mobilization of domestic resources. With respect to the role of the State, the pendulum should swing back to the middle from what had been tantamount to abdication.

Emphasis on accelerated, inclusive growth of the real economy, which ensured job creation and equitability, was the best way of moving towards strong, sustainable socioeconomic development. The voice of the bodies housed under the umbrella of the Bank for International Settlements should be heeded on matters relating to financial supervision and regulation.

13. Aid for Trade should be intensified and all forms of financing for development, including ODA, foreign direct investment (FDI), improved sovereign debt management, the facilitation of remittance flows and the mobilization of domestic resources, should be brought into play. Productive capacities, supply-side constraints, trade facilitation — especially for landlocked developing countries — and market access should be addressed and public-private partnerships harnessed for development. The international community should help the least developed countries to implement the Istanbul Programme of Action and should pursue the Doha Round of trade negotiations to its logical conclusion.

14. It was paramount for the World Bank Group, the International Monetary Fund (IMF), WTO and UNCTAD to cooperate, coordinate and synchronize their efforts while keeping within their mandates, which complemented one another. The United Nations, through the Council, should ensure that that occurred; unlike other forums, which were selective or had disproportionate representation dominated by a few States, the Organization was a body in which all Member States were fully and equitably represented.

15. He urged the participants to attend UNCTAD XIII, which would reaffirm the Accra Accord adopted at the twelfth session of UNCTAD and address emerging challenges and opportunities through the theme “Development-centred globalization: Towards inclusive and sustainable growth and development”.

Statement by Mr. Jorge Familiar Calderón, Vice-President and Corporate Secretary, World Bank Group, speaking as Acting Executive Secretary of the Development Committee

16. **Mr. Familiar Calderón** (Vice-President and Corporate Secretary, World Bank Group), speaking as Acting Executive Secretary of the Development Committee, commended the President of the Council for finding ways to scale up the Council’s dialogue and engagement with the Development Committee, which allowed the Committee to hear directly from other organizations and ultimately to better serve the stakeholders of the World Bank and IMF. At the most recent meeting of the Committee, the shareholders had reaffirmed the need to work cooperatively in order to meet development commitments to achieve the MDGs by 2015 and to support the poor in developing countries through the current period of global economic instability and over the long term; that support would become even more critical if the early signs of a possible slowdown in the economies of developing countries became reality.

17. Over the past four years, the Bank had committed nearly US$200 billion to developing countries, helped extend the conditional cash transfer model to over 40 countries and helped 40 more countries to implement other types of safety net. The next meeting of the Committee would focus on poverty reduction and economic growth in the face of global economic challenges; the issues to be addressed included food, nutrition and the MDGs (the subject of the 2012 Global Monitoring Report), human safety net programmes and leveraging the private sector in order to advance development. The private sector was the engine of economic development and accounted for 91 per cent of the $1 trillion in annual capital flows to developing countries and 90 per cent of formal and informal employment in those countries; it was therefore crucial to poverty alleviation.

18. The next meeting of the Committee would also have before it the report of the World Bank Group on the modernization agenda, which was designed to make the Bank more flexible, client-focused, open, accountable and results-driven. In light of the current crisis, Governments and parliamentarians in both donor and client countries were being pressed by taxpayers to explain how their tax dollars were being used and whether they were being spent efficiently in a good cause.

Statement by Mr. Lin Jianhai, Secretary of the International Monetary Fund and Secretary of the International Monetary and Financial Committee

19. **Mr. Lin** Jianhai (Secretary of the International Monetary Fund and Secretary of the International Monetary and Financial Committee), describing developments in the past year, said that IMF lending commitments had reached a record high. The Fund had made concessional and non-concessional lending

commitments to 51 of its member countries for a total of $260 billion; non-concessional commitments to 24 members, 11 of them in Europe; and $5 billion in concessional commitments to 27 of its poorest members. In light of the ongoing global financial stresses, particularly in the euro area, which suggested a prudent approach, it was working to raise its lending capacity by an additional US$500 billion and to adapt its lending instruments in order to better meet its members' needs.

20. The Fund's Executive Board had reviewed its Flexible Credit Line (FCL), a crisis prevention tool that functioned as a renewable credit line. Countries approved for the FCL, such as Colombia, Mexico and Poland, had strong economic performance and were given broad access to the Fund's resources with no ex-post conditionality; that additional insurance helped mitigate the risk of sudden shifts in market sentiment. The Board had replaced its Precautionary Credit Line (PCL) with the more flexible Precautionary and Liquidity Line (PLL) in order to respond more effectively to the liquidity needs of members that had relatively strong fundamentals but were still vulnerable to shocks, including those affected by heightened regional or global financial and economic stress (the so-called "crisis bystanders"). The Fund's toolkit for emergency financial assistance had also been revamped with a new lending instrument, the Rapid Financing Instrument.

21. In 2011, as part of its effort to monitor global economic and financial conditions, IMF had carried out a pilot project to analyse the impact of economic policies in the world's five largest economies — China, the euro zone, Japan, the United Kingdom and the United States of America — on other economies and had published its findings in the Consolidated Spillover Report. The Fund had submitted its first Consolidated Multilateral Surveillance Report to the International Monetary and Financial Committee (IMFC) in September 2012. It supported the efforts of the Group of 20 to sustain international economic cooperation through the Group's mutual assessment process and provided analysis as to whether the policies produced by the Group's members were consistent with the sustained, balanced growth of the global economy.

22. IMF had undertaken a first full vulnerability exercise for low-income countries, focusing on the impact of external shocks and commodity prices, and had revisited the debt sustainability framework for low-income countries, which included indicative debt benchmarks and assessed the risk of debt distress. It planned to consider a new approach to financial-sector surveillance that would reflect a better understanding of the challenges posed by shallow financial systems and an enhanced analysis of macrofinancial linkages in low-income countries. It had expanded its delivery of technical assistance through eight regional technical assistance centres located in Africa, the Caribbean, Central America, the Middle East and the Pacific. A new centre for Southern Africa was expected to go into operation in May 2011 and another centre would soon be opened for Western African countries, completing the coverage of sub-Saharan Africa. Topical trust funds had also been established in order to finance the provision of specialized technical assistance to member countries, including in the areas of anti-money-laundering and combating the financing of terrorism, management of natural resource wealth, and tax policy and administration.

23. IMF was endeavouring to increase the long-term stability of the international monetary system by strengthening the surveillance framework and further analysing economic and financial interconnectedness across countries. In October 2011, the Executive Board had concluded a comprehensive review of the Fund's surveillance activities that had identified gaps in four areas: analysis of cross-country spillovers, risk assessments, financial and external stability and uneven traction with country authorities. The Board had subsequently endorsed an action plan that was designed to address those gaps.

24. There had been growing acceptance of the 2010 quota and governance reforms, which included a doubling of quotas that would give 54 countries an increased quota share and would result in a more than 6 per cent shift in shares to dynamic emerging-market and developing countries while protecting the voice and representation of its poorest members; the reforms also included a move to an all-elected Executive Board. As part of its continuing governance reforms, the Board had recently discussed initial considerations for a review of the quota formula, which had been requested by IMF and must be completed by January 2013. The membership recognized that greater efforts to secure acceptance of the 2010 reforms by the 2012 annual meeting were needed and that further governance reforms were crucial to the Fund's legitimacy.

Statement by Mr. Shishir Priyadarshi, Director, Trade and Development Division, World Trade Organization

25. **Mr. Priyadarshi** (Director, Trade and Development Division, World Trade Organization) said that sustainable, inclusive and equitable economic growth must be one of the key elements of the United Nations development and poverty alleviation agenda beyond 2015 and that human, social and economic development were all needed; the challenge was to attain global economic growth while combating inequality, promoting the enjoyment of human rights and ensuring the sustainability of the planet.

26. Trade, which remained a key engine of national, regional and global growth, had grown by a record 14.5 per cent in 2010 and South-South trade had grown at an even greater rate. Sine then, however, growth had been slower owing to rising sovereign debt and unsustainable fiscal deficits in many developed economies. Existing international trade instruments and transparency processes provided a measure of insurance against protectionism, which was one of the greatest challenges to international cooperation and multilateralism. Inward-looking, isolationist tendencies were a natural reaction to any turbulent period; however, import restrictions and similar reactions, while understandable from a narrow, nationalist perspective, were counter-productive from that of a global economic partnership. While most WTO members had avoided such practices, there was some evidence of new tariffs, non-tariff barriers and trade remedy measures, including anti-dumping duties, and a WTO document entitled "Report on G-20 trade measures (May to mid-October 2011)" had noted that trade protectionism was gaining ground in some parts of the world as a political reaction to current local economic difficulties. Protectionism hindered global growth and perpetuated uncompetitive industries; what was needed was coordinated action to address the underlying structural problems.

27. Although recent decades had seen considerable progress in making the international trading system more participatory for developing countries, one major hurdle remained: completion of the Doha Development Round. The proposals on the table, if adopted, would greatly reduce the remaining barriers to trade, eliminate significant portions of trade-distorting subsidies and make the rules fairer. The negotiations were deadlocked on political issues: the proper balance between trade-related rights and commitments between countries at different levels of development. Similar differences were apparent in discussion of the principle of "common but differentiated responsibilities" that underpinned the debate on climate change and sustainable development.

28. The international community must help to build supply-side capacity and trade-related infrastructure in the weaker developing countries. Of vital importance in that regard was Aid for Trade, which had helped many countries to increase their exports and whose resources had reached $44 billion in 2010, a 70 per cent increase from the 2002-2005 baseline. Its effectiveness had been confirmed in the third Global Review of Aid for Trade, conducted in July 2011. The fourth Global Review would also focus on deepening coherence between Aid for Trade capacity and other sectoral policies that had a strong trade component, such as food security, intellectual property, regional integration and climate change.

Thematic debate of the whole on Theme 2: "Financing of sustainable development"

(a) *Presentation by Ms. Rachel Kyte, Vice-President, Sustainable Development Network, World Bank*

29. **Ms. Kyte** (Vice-President, Sustainable Development Network, World Bank) said that the 1992 United Nations Conference on Environment and Development (Earth Summit) had compelled the world to face up to its self-generated environmental, social and economic crises and started an ongoing global conversation on building a more sustainable and equitable future. Twenty years later, the world had made progress in the area of extreme poverty, with the percentage of people living on less than $1.25 a day declining between 2005 and 2008 in every region of the world. The private sector had moved from a defensive stance on environmental, social and governance issues, through an era of corporate social responsibility, to the emergence of a true understanding of shared value. However, global consumption had also expanded thanks to a growing, urbanizing and more prosperous population. Climate change added layers of cost and complexity to the development agenda, hitting poor people disproportionately, and the political will needed for effective international action had proved elusive, forcing innovation at the regional, national and local levels.

30. The World Bank hoped that at Rio+20, practical agreements between diverse partners would be concluded. Action by civil society and the private sector was needed at the municipal and local levels and Governments should secure funding from manifold sources, leveraged by precious public funds, and create an enabling environment. The Conference was an opportunity to shift economic incentives and systems in order to follow the agenda established at the Earth Summit, and the participants should strive for agreement on three issues: countries should adopt development strategies that were consistent with the concepts of green and more inclusive growth; implement a global methodology and process for incorporating natural capital and ecosystem services into their national accounts as soon as possible; and adopt a discreet set of sustainable development goals for sanitation, water, land and oceans by 2030 as a complement to the MDGs and to reinforce the Nagoya agreements on biodiversity. The sustainable energy goals of the United Nations — securing universal access to modern energy, doubling renewable energy use and improving energy efficiency by 2030 — were ambitious but achievable. Green growth strategies demanded flexible, integrated financing since developed, middle-income, low-income and conflict States embarked on their journeys from different starting points and had different needs for and access to finance.

31. The ability to open up capital that sought return and bring it to projects where it could also be sustainable required the international financial institutions to play a catalytic role, and climate change simply added to the urgency of that endeavour. The focus should be on green growth; scaling of efforts by thinking in terms of urbanscape, landscape and oceanscape; using the public sector to set the playing field for private-sector-led development; and encouraging best practices by the private and financial sectors.

32. The major investments in infrastructure that would be made across the developing world over the next five to ten years might result in unsustainable growth patterns. For at least the next 25 years, city populations would grow by some 250,000 additional people daily, and the number of urban residents would increase by 2 billion by 2035. Nonetheless, those challenges also presented win-win opportunities for improving energy efficiency, air and water quality and social inclusion, reducing greenhouse gas emissions, tackling urban poverty and reducing vulnerability to climate change at the city level. Innovative financing was needed since it was critical for municipalities to have sufficient resources to invest in such initiatives.

33. Poverty remained a problem around the world; 800 million people were still without access to safe drinking water, 1.6 billion were without access to electricity and one billion were suffering from hunger. The nexus between food, water and energy was the major challenge. Water resources must be allocated between agriculture, energy, urban consumption, industry and increasingly-threatened ecosystems. Working at the landscape level would make it possible to steward water while increasing agricultural yields, improving livelihoods and mitigating climate change through adaptation.

34. Biologically diverse oceans were essential for food, jobs, recreation and pharmaceutical and other industrial purposes and represented the planet’s main carbon sink. The Bank’s new Global Partnership for Oceans was a coalition of Governments, international organizations, civil society groups and private sector interests. Alignment between the private and public sectors was strong and the partnership would help countries to implement difficult policy changes and to confront the problems of over-fishing, marine degradation and habitat loss, and system and market failures. Its specific agenda would be determined through consultations among the partners and it was hoped that it could be announced at Rio+20.

35. The planet was in the throes of the sixth great extinction, which was liquidating the goods and services on which green growth depended; different data sets and evidence bases were needed to help the world make different choices. At Rio+20, the participants should make a significant commitment to natural capital accounts, wealth accounting and the valuation of ecosystems as an essential element in the shift to green growth. Those ideas were not new; they dated from the United Nations Conference on the Human Environment, held in Stockholm in 1972. The Bank was helping a number of countries to implement natural wealth accounting alongside gross domestic product (GDP) and the Conference was an opportunity to garner widespread support for action in that area.

36. Unlike the Earth Summit, Rio+20 should concern not just ministries of the environment, but also those of

finance, planning and development and should focus on investment in women, which was now regarded as “smart business”. Whereas the Earth Summit had focused on the mobilization of additional public financing, Rio+20 would focus on repurposing the investment that was already needed in order to ensure resiliency and inclusion through innovative financing mechanisms and the use of public funds to leverage private financial flows. The Earth Summit had sought to transfer knowledge from North to South; now, that transfer must also move from South to South and South to North.

37. Since the Earth Summit, the Bank had shifted its thinking and actions toward sustainable development, which accounted for 70 per cent of its committed portfolio, and its new instruments, tools and technical know-how made it well positioned to help leverage the financing needed by various countries in order to make the changes agreed at Rio+20.

(b) Presentation by Ms. Marianne Fay, Chief Economist, Sustainable Development Network, World Bank

38. **Ms. Fay** (Chief Economist, Sustainable Development Network, World Bank), accompanying her statement with a digital slide presentation, said that green growth was defined as economic growth that was efficient and environmentally sustainable. It was not a new paradigm, but an input into the primary goal of sustainable development, and not all of its goals could be achieved overnight; State policy-makers must focus on the next five to ten years in order to prevent irreversible environmental damage. Green growth was not only necessary, efficient and affordable; it also embodied good growth policy. However, it required an appropriate political environment and change in entrenched social behaviours and financing instruments.

39. While economic growth and social development had proven to be compatible and complementary, such progress had largely come at the expense of the environment. The traditional equation used to calculate GDP must incorporate the environment not only for ethical reasons, but as natural capital that must be invested in, maintained and used efficiently. There was evidence, for example, that environmental pollution was linked to lower productivity; the Loess Plateau in China offered a model for how investment in the environment — in that case, by the Government with support from the World Bank — could transform an over-grazed region into a disaster-resilient, productive community and even increase income per capita.

40. Sound environmental policies created potential for growth, protected physical capital, strengthened the labour supply, increased productivity and promoted innovation. A January 2012 World Bank policy research paper entitled “Green Growth, Technology and Innovation” showed that green exports could create new markets in developing countries, particularly if “close-to-green” goods were included in the calculation. It was also important to note that environmental degradation resulted in increased health and social costs, amounting to as much as 9 per cent of GDP in some States.

41. Green growth policy was largely synonymous with, but could not substitute for, good growth policy; it involved getting prices right, developing markets, addressing coordination failures and assigning property rights. A study on South Africa had found that in light of the current business market and lack of skilled labour, investment in solar energy without complementary policies would merely trigger an increase in imports from countries that were leaders in green growth. In addition, financial policy must ensure that the poorest people benefited during the transition to green growth. For example, fossil fuel subsidies did not benefit poor populations equitably; a system of safety nets was needed. It was also critical to put in place financing instruments to manage the trade-offs of green growth, including slower returns.

42. Many of the required investments would pay for themselves; nearly all of the water, energy and land investments needed for green growth were ultimately cost-efficient, requiring from $1 trillion to $1.7 trillion per year but yielding potential benefits of up to $2.9 trillion per year. Moreover, the innovations generated by environmental regulations helped to keep costs in check. The private sector was critical in that regard as it had the capacity to invest in innovation at a negligible cost, thereby increasing profits and creating jobs.

43. Although green growth was good for economic growth, efficient and the right thing to do, it was a challenging goal. In the political arena, entrenched interests often affected good governance, as seen from the persistence of fossil fuel subsidies. Changing social behaviours was another challenge. The middle-class lifestyle that had become a signifier for social success

was not environmentally feasible on a global scale; communities needed to be nudged away from that concept. There was also a need to take action within the next 5 to 10 years to ensure that irreversible decisions were based on sustainable strategies. For example, with many countries on the verge of urban expansion, land use planning would be a critical area for action in the short term. Lastly, access to capital was a major obstacle as green growth entailed high upfront costs or long-term financing.

44. Political and economic realities would need to be taken into account in facing those challenges. Governments and development partners should focus initially on measures that offered local and immediate benefits; some measures, such as providing access to clean drinking water, were attractive regardless of their environmental benefits. In addition, development partners should work with Governments to identify actions that were affordable and urgent in order to lock in green growth, while strategies must pursue “smart pricing”, enact appropriate regulations and address behavioural concerns. In addition, policies on industry and innovation would need to be tailored to the local context. Nevertheless, few developing countries would be able to depend on innovation to provide solutions; instead, they would need to adapt existing technologies. Innovative financing would be critical, and financing instruments must be tailored to market constraints and segments. Small and medium-sized enterprises, in particular would require differentiated financing strategies.

Interactive dialogue

45. **The President** recalled that chapter II of the note of the Secretary-General (E/2012/7) posed several questions for discussion: What were the main challenges in financing the transition to a green economy? How should the private and public sectors cooperate to mobilize the necessary resources for sustainable development? How could developing countries effectively mainstream green sustainability-oriented national innovation systems into their national development strategies? What were the most effective Government policies to “crowd in” private green investment? How could Governments and multilateral organizations most effectively leverage private finance into climate change mitigation and adaptation activities? How could financing be scaled up while at the same time streamlining the financing architecture to maximize its impact? How could multilateral development banks and other development financing institutions play a catalyzing role in channelling funds from public and private sources into green investment?

46. **Mr. Benmehidi** (Observer for Algeria), speaking on behalf of the Group of 77 and China, said that the thematic debate on the financing of sustainable development was timely and should give impetus to consultations on the Rio+20 outcome document. The provision of new, additional, stable and predictable financial resources was crucial to implementation of the commitments made in the outcome documents of previous summits, particularly the Rio Declaration on Environment and Development, Agenda 21 and the Programme for the Further Implementation of Agenda 21, in developing countries.

47. Donors should allocate 0.7 per cent of gross national income (GNI) to developing countries, including the specific target of 0.15 to 0.20 per cent of gross national product (GNP) for ODA to least developed countries, bearing in mind that the 2010 deadline had not been met. The developed countries should meet their ODA commitments under the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020; they should also act on their pledge to double aid to Africa by 2010, made at the 2005 Gleneagles Summit of the Group of Eight, and to provide new and additional financing, which should not substitute for ODA, under the United Nations Framework Convention on Climate Change.

48. He reaffirmed the validity of cooperation between North and South as the basis of international cooperation. It was crucial to increase coherence and coordination among the funding mechanisms and initiatives related to sustainable development, which should be prioritized in the provision of financial resources, technology transfer and capacity-building in line with the development priorities and needs of developing countries. In so doing, it was important to bear in mind the principle of common but differentiated responsibilities and the importance of innovative development financing mechanisms, which should not, however, substitute for or affect the level of traditional funding sources or unduly burden the recipients.

49. The Group was concerned at the impact of the economic and financial crisis on development and on the flow of direct investment, external debt and

international trade. The systematic problems facing the global economy must be resolved by intensifying efforts to complete the reform of the global financial architecture, including the mandates, scope and governance of the Bretton Woods institutions, and to address the democratic deficit of those institutions. The General Assembly should launch a reform that reflected current realities and ensured the full, effective participation of developing countries — including the least-developed among them — in global decision-making, and particularly in the governance structure of the international financial institutions and the norm-setting process of the Bretton Woods institutions. The heads and senior leadership of those institutions should be appointed through open, transparent and merit-based selection processes with due regard to gender equality and geographic and regional representation.

50. Debt crises were costly and disruptive and were usually followed by cuts in public spending that were particularly difficult for the poor and vulnerable. It was urgent for the international community to examine options for an effective, equitable, durable, independent and development-oriented debt restructuring and resolution mechanism that would consider relief, including debt cancellation and restructuring, on a case-by-case basis.

51. Trade was a vital tool for long-term growth. In order to harness its full potential, a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that contributed to growth, sustainable development and employment, particularly for developing countries, was needed. All countries should desist from protectionist measures, especially those affecting developing countries, including tariff, non-tariff and other barriers to trade.

52. In conclusion, he reaffirmed the central role of the United Nations as a focal point for the financing-for-development follow-up process. That role must be maintained in order to ensure the continuity of the process and to increase the engagement of all stakeholders in follow-up to and implementation of the commitments made at the International Conference on Financing for Development, held in Monterrey in 2002, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha in 2008.

53. Speaking as the representative of Algeria, he expressed concern at the excessive focus on environmental questions; the environment was only one pillar of sustainable development and economic growth remained an urgent priority. Furthermore, the position of the Group of 77 and China was that major development initiatives should be financed through political and public funding, yet the panellists had mentioned the availability of large reserves of private-sector financing; he would welcome their views on the structures or approaches that could best attract funds from such sources.

54. At present, there was no international bank for sustainable development, nor did the United Nations have a genuine programme for sustainable development. The World Bank did an excellent job of implementing decisions taken at the political level; he therefore wondered how developing countries, as both clients and shareholders of the Bank, could take part in that decision-making process in order to move the focus of the Bank’s work away from environment programmes and towards sustainable development.

55. **Mr. Almofadhi** (Dean of the Board and Executive Director for Saudi Arabia, World Bank) said that in the current environment of constrained resources, Governments would be required to make difficult decisions with implications for development programmes regarding the way in which financing was used. It was clear that green growth would henceforth be an important part of the sustainable development agenda; however, social protection and human development programmes, which were an established part of developed economies, were being introduced in developing economies and required ongoing budget support.

56. The transfer of proven technologies would help developing countries to adopt green approaches in a cost-effective manner, although many green solutions would still need to be customized to the local context. In addition, States would require significant investment in research and technology in order to develop their own green technology and other sustainable solutions, and the advantages and disadvantages of new technologies should be weighed against those of established, effective approaches to development. Affordability remained a critical issue for all countries in the context of the global economic crisis.

57. Over the past 20 years, developing countries had made great progress in expanding environmental management. Many existing development solutions were affordable and sustainable even when combined with effective measures to mitigate environmental impact. Given the difficulties of raising additional financing, the use of existing funds should be analysed to determine whether some resources could be redirected to support sustainable development. Policymakers needed to apply a holistic view rather than a piecemeal approach when reviewing existing expenditures.

58. **Ms. Moorehead** (Executive Director for the United Kingdom, World Bank) noted that the Rio+20 agenda was enormous in scope and expressed the hope that the discussion under way would be part of a continuing dialogue between the United Nations system and the Bretton Woods institutions in preparation for the Conference. She urged all parties to pool their expertise and to focus not on their differences, but on their many areas of agreement.

59. Recalling the statement made by the Observer for Algeria on behalf of the Group of 77 and China concerning development financing, she said that the United Kingdom was committed to meeting the target 0.7 per cent of GNI for ODA. The World Bank had provided more than $16 billion to the International Development Association (IDA) in 2011, its largest contribution ever; $21 million to the International Bank for Reconstruction and Development (IBRD) for lending to middle-income countries; and more than $18 billion in financing for private sector investment through the International Finance Corporation. However, there were still great financing needs in the area of sustainable development, and more efficient ways to work with the private sector would need to be found. The issue would doubtless be a major topic at the upcoming Group of 20 meeting of finance ministers, to be held in Washington, D.C. on 19 and 20 April 2012.

60. Recalling the comments made by the Director for the Development Division of WTO regarding the need for a new development paradigm beyond 2015, she stressed the importance of including the social, economic, public and private sectors in devising a new development framework and expressed the hope that women would play an equal role in shaping it. Efforts to solve the current global challenges should not involve the creation of new institutions but should seek to improve the efficiency of and cooperation between the existing ones. She asked the panellists how the United Nations and the World Bank Group could work together most effectively on the sustainable development agenda with the facilitation of the Council.

61. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that the Group of Least Developed Countries associated itself with the statement made by the Observer for Algeria on behalf of the Group of 77 and China. The themes established for Rio+20 — "a green economy in the context of sustainable development and poverty eradication" and "the institutional framework for sustainable development" — were relevant to the least developed countries, which had set poverty alleviation and sustainable development as urgent priorities.

62. The transition to a green growth trajectory could be a means for least developed countries to leapfrog stages in the development process if it was achieved through technology sharing and capacity-building and created a supportive trade and financial environment. All internationally agreed commitments pertaining to those countries must be met if they were to realize that potential. Poverty alleviation and human development should remain the focus of sustainable development; an approach that balanced rapid economic growth with environmental sustainability was therefore critical.

63. The least developed countries' limited capacity to mobilize domestic resources meant that international assistance would remain critical during their transition to a green economy. The failure to meet the ODA target of 0.15 to 0.20 per cent of GNI was a matter of concern as ODA would remain their largest source of development financing in the medium term; ensuring debt sustainability and FDI was also critical.

64. The lack of progress in multilateral trade negotiations was disappointing; early conclusion of the Doha Round would go a long way towards addressing the concerns of the least developed countries. He called on development partners to continue to provide technical assistance through Aid for Trade initiatives and the Enhanced Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries. The most vulnerable countries, including the least developed countries and the small island developing States, deserved special priority in the

sustainable development agenda as outlined in the Rio+20 principles.

65. He asked the panellists how development assistance from international financial institutions could take into account the specific challenges faced by the least developed countries. He also wondered whether the World Bank could enhance its support by recognizing the category of least developed countries and ensuring that they were represented in its work and requested disaggregated data on how the Bank's financing was allocated by country.

66. **Mr. de Alba** (Mexico) said that in the future, his delegation would appreciate more information on the shortage of public funding for sustainable development and the potential contribution of the private sector. Member States could benefit from the World Bank's research concerning the effects of stimulus packages, various taxes and other economic adjustments; for example, climate change adaptation and mitigation frequently required a choice between sustainable development and a green agenda.

67. He wondered whether the Bank had made any effort to integrate the social pillar into its sustainable development initiatives and, in particular, whether financing had been provided for capacity-building aimed at increased production. It would be a serious error to approach sustainable development at Rio+20 as simply an environmental issue; the goal should be to give equal consideration to the environmental, economic and social pillars of development. He asked the panellists what Member States could do to facilitate cooperation between the World Bank, the multilateral system, Governments and non-governmental organizations (NGOs).

68. **Ms. Stefancyk** (Global Foundation for Democracy and Development) said that excessive speculation on basic commodity prices in futures markets posed serious risks to economic stability and democratic governance; the resulting rise in commodity prices had reduced funding for priority public investments. The practice was inherently dangerous because it provoked and exacerbated hunger, malnutrition and poverty and affected the well-being, health and livelihoods of millions of people. In the past decade, the science of economics had changed; markets were now determined not by the principles of supply and demand, but by artificial demand created by speculators. In 2002, 70 per cent of commodity futures markets had comprised physical hedgers and 30 per cent had comprised institutional investors; in 2012, those percentages were reversed.

69. Private gain for institutional investment firms had become the sole objective; rather than providing an opportunity for national growth and sustainable development, the commodities boom had become the greatest challenge to achievement of the MDGs, sustainable development and green growth. ODA, FDI, resource revenue and investment from trade could not compete with the resources injected into over-the-counter derivatives markets. Financial speculators took unfair advantage of economic, social, political and environmental conditions; they were able to predict futures markets because it was they who shaped them, distorting reality in pursuit of increased profit margins.

70. The international community and the United Nations system must take immediate action to ensure that the commodity sectors of the least developed countries provided an opportunity for enhanced labour force capacity and escape from extreme poverty by addressing the problems of excessive financial speculation. There was a need for a new consensus on reducing price volatility by setting limits on the volume of transactions of investors, and particularly international investors; establishing margins higher than the premiums required for underwriting commodity futures contracts; and banning financial speculation on food in futures markets.

71. **Mr. Habeck** (Global Clearinghouse for Development Finance, accredited through the Financing for Development process) said that he welcomed the importance that many speakers had attached to the business sector's role in supporting development. His organization promoted joint action by the public and private sectors, including in many countries in East Africa. He urged the World Bank to participate in such initiatives as it could offer significant technical assistance.

72. **Mr. de Rivière** (France) said that his delegation welcomed the opportunity to discuss the financing of sustainable development in the lead-up to Rio+20 since achievement of the goals of that Conference would be contingent on the mobilization of financial resources.

73. Because development financing had social and environmental as well as economic dimensions, it was not enough to consider the costs of transition to a green economy. Social considerations were particularly

important; he therefore preferred to speak of a "green and inclusive economy" and to view it not as an expensive endeavour, but as a means of changing the focus of policies and actions with an ultimate payback in benefits and growth.

74. The note by the Secretary-General (E/2012/7) provided a useful summary of the challenges to be met. As its title suggested, financing could come from a number of sources: ODA must be complemented by national resources, the financial and private sectors and innovative financing sources. He urged the participants to take the set of options mentioned in the Final Declaration of the 2011 Cannes Summit of the Group of Twenty, which included advance market commitments, diaspora bonds and a financial transaction tax, as a point of departure and to consider imposing a development tax on airline tickets; many States had already done so and had found that it was effective and had no negative impact on air traffic. Other possibilities included allocating a portion of the revenue from carbon quota auctions to development and taxing bunker fuels.

75. The international financial institutions' efforts to redirect investment to the developing and least-developed countries had begun to bear fruit. He hoped that Rio+20 would lead not only to significant progress towards a green economy, but also to a comprehensive sustainable development governance reform, which, like the Council's special high-level meeting, should include dialogue with the international financial institutions.

76. **Ms. Moses** (Observer for Nauru), speaking on behalf of the Alliance of Small Island States, said that the Alliance of Small Island States (AOSIS) associated itself with the statement made by the Observer for Algeria on behalf of the Group of 77 and China. Financing for development was a particular challenge for small island developing States; their economies were often highly dependent on trade but, owing to their size, they were unable to influence the terms of that trade or to generate economies of scale. Reliance on a few specific commodities made many of them extremely vulnerable to changes in the world market, and geographic dispersion and isolation from major markets reduced their competitiveness and capacity to attract foreign investment.

77. While the unique challenges faced by small island developing States had been recognized in the agreed commitments of the international community, their small populations and the small scale of their projects, coupled with burdensome application and monitoring requirements, excluded them from many financing opportunities at the international level. She encouraged the organizations present to consider how their existing programmes and structures could better accommodate the specific needs of those States.

78. Small island developing States were particularly vulnerable to the adverse impacts of climate change, which had a direct impact on the costs of financing for development since delay in reducing greenhouse gas emissions increased the costs of adaptation and thwarted their sustainable development efforts. Despite the progress achieved at the United Nations Climate Change Conference, held in Durban in 2011, the international response to the climate crisis remained completely inadequate. Current funding and pledges for climate change finance did not match the scale of the need, particularly in the case of low-lying island countries whose very existence was threatened. It was also disappointing that climate financing had favoured mitigation at the expense of adaptation. She welcomed the establishment of the Green Climate Fund, but urgent financing would be needed if it was to deliver on its promises. It was also important to emphasize that climate change financing for both mitigation and adaptation must be new and additional to existing ODA. She hoped that the dialogue at the special high-level meeting would lead to increased financing for sustainable development and to tailored delivery to small island developing States in response to their unique and particular challenges.

79. **Mr. Wolfe** (Observer for Jamaica), speaking on behalf of the Caribbean Community (CARICOM), said that he associated himself with the statements made by the Observers for Algeria and Nauru on behalf of the Group of 77 and China and the Alliance of Small Island States, respectively.

80. The United Nations Conference on Environment and Development, held in Rio de Janeiro in 1992, had designated the small island developing States as a special case for sustainable development in light of the unique and particular vulnerabilities resulting from their small size, high exposure to external shocks and limited resource base. Since then, their vulnerability had worsened owing to climate change, more frequent and intense natural disasters and fuel, food and financial crises. In a study conducted prior to the

recent scientific findings on accelerated sea level rise, the potential economic cost of climate change to the Caribbean small island developing States had been estimated at an average of 14 and 39 per cent of GDP per year by 2025 and 2050, respectively.

81. It was therefore imperative for the international community to honour all commitments relating to the small island developing States, including the provision of new, additional and adequate financial resources, simplified and prioritized access to new and existing funds and financial mechanisms, such as the Global Environment Facility (GEF) and the Copenhagen Green Climate Fund, and active support for regional and inter-regional cooperation initiatives such as the Caribbean Single Market and Economy, the Caribbean Development Fund (CDF), the Caribbean Sea Commission, the University Consortium of Small Island States (UCSIS) and the Small Island Developing States Sustainable Energy Initiative (SIDS DOCK); the enhancement of FDI flows; consideration of the specific circumstances of each State when assessing long-term debt sustainability; and the provision of technical assistance and access to technologies.

82. External debt posed a critical development challenge for the CARICOM States, most of which were small, vulnerable middle-income countries; it reduced their fiscal space and inhibited their ability to attain some of their sustainable development goals. They shared the view of the Secretary-General, in his report on development cooperation with middle-income countries (A/66/220, para. 51), that “the use of per capita income to classify countries as a means of guiding development cooperation disregards the nature and multidimensional nature of development”. The international community, including the United Nations and the international financial institutions, must take a more systematic and sensible approach to the development needs of middle-income developing countries. Increased access to concessionary financing, including through debt relief and the disbursement of grants and loans on concessionary terms, would alleviate their precarious economic situation and prevent further erosion of their development gains.

83. Several of the CARICOM countries had developed or were developing sectoral policies, sustainable development strategies and natural resource management frameworks as a basis for a greener, low-carbon economic transition that also addressed the issue of poverty eradication and the broader goal of sustainable development. Individual member countries were interpreting the green economy concept according to their sustainable development priorities and their economic and social conditions. CARICOM agreed with the Secretary-General that transitioning to a green economy required major structural and technological changes that would require a supportive and enabling international environment, including a coherently reformed trade, monetary and financial system. Developing countries, and especially the small island developing States and the least-developed countries, would need significantly enhanced support, including new and additional finance, technology transfer and capacity-building.

84. CARICOM took note of the report of the Secretary-General’s High-level Advisory Group on Climate Change Financing, issued in November 2010. Given the scale of resources required for the implementation of national, regional and international sustainable development objectives, including pursuit of the green economy, new and additional public and private sources of finance would be required as a complement to traditional public sources such as ODA and must be at the centre of the outcomes at Rio+20. However, those innovative funding sources should not have adverse effects on the economic prospects of small developing economies.

85. **Mr. Grishin** (Executive Director for the Russian Federation, World Bank) said that the World Bank recognized the importance of the green growth agenda in the context of, inter alia, Rio+20 and Mexico’s presidency of the Group of 20. The benefits of minimizing chemical pollution, land and forest degradation and biodiversity loss, preventing natural disasters and optimizing the use of natural resources were well understood and taken seriously, but those challenges required different solutions and measures since different countries had different environmental problems and different priorities and approaches. It was therefore important to define “green growth” fairly broadly in order to include the variety of environmental challenges faced by developing countries, from unsustainable urbanization to deforestation; focusing on energy alone would diminish the importance of other issues.

86. On the question of energy, the affordability, availability and cost of different energy sources in different countries must be taken into account; some had an abundance of hydroresources while for others,

coal might be the only viable alternative. “Green growth” should include the promotion of new “clean” coal technologies and of natural gas, the cleanest fossil fuel, areas in which there had been enormous progress. Many experts anticipated a breakthrough in the area of non-conventional energy in about 10 years. To that end, artificial barriers to technological progress, including with respect to technology transfer and sharing, should be removed.

87. **Ms. Fay** (Chief Economist, Sustainable Development Network, World Bank) said that maintaining a balance between the three pillars of sustainable development was critical for the World Bank. The emphasis on green growth was a response to a lack of attention to the environmental pillar that was causing harm to people and the social agenda in developing countries. Many elements of green growth offered potential benefits to the poor, and interventions that supported all three pillars made that potential a reality. The urban planning work being done in Mexico, for example, not only made cities more productive; it also made them an integrated place for all income groups.

88. Since trade was a critical component of the effort to improve access to technology, removal of barriers to access had been found to be the best way to make green technologies available to developing countries. “Orphan technologies” were a more complicated issue as they required financing for research rather than mechanisms to increase transfer.

89. In the area of financing, the focus should be on leveraging resources. Though many interventions would pay for the themselves, there was a lack of appropriate instruments to finance them. The assistance of the Bank and other international financial institutions would be critical to the development of banking institutions in the less developed countries. National markets and contexts should, to a large extent, determine the financing instrument required; no single instrument could fit every need. The World Bank Group was developing a suite of complementary interventions that could be adapted to a given policy framework. Concessionary financing should be reserved for costly activities that did not pay for themselves, and especially for poor countries so that their growth would not be undermined by the effort to pursue a green agenda.

90. The Bank supported the idea of inter-institutional cooperation. For example, the Green Growth Knowledge Platform was a joint initiative between the United Nations Environment Programme (UNEP), the Organization for Economic Co-operation and Development (OECD), the World Bank and the Republic of Korea’s Global Green Growth Institute aimed at identifying knowledge gaps and the key interactions needed in order to achieve sustainable development.

91. Countries whose national wealth was largely made up of fossil fuels would have an important role to play in the transition to green growth. There was no energy model that would not rely on fossil fuels during the process of decarbonising growth; the question was how efficiently those resources would be deployed and by what means they would eventually be replaced.

92. **Ms. Kyte** (Vice-President, Sustainable Development Network, World Bank) said that although the political dialogue often focused on the need for new sources of financing for climate change adaptation and sustainable development, a great deal of potential financing was already available. For example, if the target of 0.7 per cent of GNI for ODA were met, those funds could be used to pursue internationally agreed public policy goals. In addition, middle-income countries had domestic pension funds and oil funds available; FDI was available through private flows; and institutional investors were increasingly seeking sustainable returns. Asset owners were taking the long-term view that their assets must be deployed in a way that did not deplete natural resources and the health of the economy in which they were investing. Efforts to bring together asset owners, asset managers and the Bretton Woods institutions had made clear the contrast between what private financing required and what was available on the market. The Secretary-General’s High-level Advisory Group on Climate Change Financing had been an important way for the World Bank Group to gain access to the dialogue on such issues.

93. The comments made regarding speculation were relevant with regard to investors seeking a “triple bottom line” — investments that yielded financial, social and economic returns — which was not feasible on a quarterly investment cycle. Some investors were moving towards the measurement of returns on the basis of a three-year rolling average, a step in the right direction. The vision of high-technology, sustainable cities of the future required long-term investment and

public regulation had an important role to play in encouraging stock exchanges, financial regulators and the private sector to take a long-term view. The World Bank worked with private investors that had a sophisticated view of assets and risk over a 15- or 25-year period, taking into account factors such as climate change and the stability of particular Governments. However, it was clear that both the public and private sectors required more knowledge of the issue.

94. The Bank did not see access to funding as a problem; it was the process of matching funds to appropriate programmes that needed to be improved. Discussions with IMF had focused on ways to make more effective use of the many resources that had been allocated for infrastructure development but had not been used. Often, those funds had objectives that made it difficult to deploy them; if they could be redistributed as financing for development assistance, many projects could be launched.

95. The private sector required that programmes have transparency, predictability, stability and, in many cases, cost-blended financing and insurance and guarantee vehicles in order to make risk more acceptable in the short term. The principles of transparency and predictability applied to public sector governance as well. The price of capital was much higher for certain countries than for others, depending on the private sector's perception of risk related to governance and integrity; that was an area in which the United Nations and the Bank could provide some assistance.

96. In many cases, the Bank's involvement had helped countries to leapfrog development stages using technology. For example, an initiative designed to increase broadband Internet access in Africa over the past eight years had helped the public sector to develop a regulatory framework that had attracted private investment and helped the private sector to pay for infrastructure that was beyond the public sector's means, resulting in innovation in domestic markets. Access to broadband Internet would improve access to health care and education services, increase farm productivity and enhance women's economic empowerment; such investment in technology was particularly important to the least developed countries. In the case of Nepal, hydroresources could be exploited using public- and private-sector funds, allowing the country to benefit from 20 years of hydrotechnology development and to access the newest and best technology.

97. Both the Council and the Bank had focused too narrowly on how best to shape public policy in order to encourage private investment and foster small and medium-sized enterprises; greater attention needed to be paid to determining the ways in which public policy could encourage optimum performance within the private sector, as defined by public dialogue. Much more could be done to encourage responsible finance, for example.

98. The Bank was involved in many initiatives to support small island developing States, including in the area of climate change adaptation and mitigation. While the term "small island developing States" had been useful when developed in 1992, in the context of sustainability it would be preferable to refer to those countries as "great ocean States" in order to better recognize the major source of their capital.

The meeting rose at 1.15 p.m.