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Provisional summary record of the 28th meeting
Held at Headquarters, New York, on Thursday, 12 July 2012, at 3 p.m.

President: Mr. Khalil (Vice-President) . . . . (Egypt)

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In the absence of Mr. Koterec (Slovakia), Mr. Khalil (Egypt), Vice-President, took the Chair.

The meeting was called to order at 3.20 p.m.

Implementation of and follow-up to major United Nations conferences and summits (*continued*)

(a) Follow-up to the International Conference on Financing for Development (*continued*) (E/2012/62-A/67/81)

1. *The panel discussion on the topic "Innovative mechanisms of financing for development", which the Economic and Social Council had begun at its 27th meeting, was resumed. It was chaired by Mr. Khalil (Egypt), Vice-President of the Council, and moderated by Mr. Alexander Trepelkov (Director, Financing for Development Office, Department of Economic and Social Affairs). The panellist was Ms. Shari Spiegel (Senior Economic Affairs Officer, Development Strategy and Policy Analysis Unit, Development Policy and Analysis Division, Department of Economic and Social Affairs). The panellist responded to comments made and questions posed by the representatives of China, Ecuador, Egypt and France. After replying to a question posed by the observer for the European Union, the moderator made concluding remarks and closed the panel discussion.*

General discussion

2. **Mr. Djacta** (Observer for Algeria), speaking on behalf of the Group of 77 and China, said that it was necessary to strengthen the institutional arrangements for financing for development and expressed the hope that a functional commission of the Council would be established in that area. He welcomed the Council President's proposal to establish a joint working group on financing for development to enhance cooperation among the Council, the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD); the group's consultations should be facilitated by the financing for development coordinating secretariat. The Council should also explore ways to expedite organizational arrangements for its annual high-level meeting with those stakeholders, including through the early adoption of dates and themes.

3. While each country indeed had primary responsibility for its own development, the international community should support national efforts to achieve internationally agreed goals by improving market access, granting debt relief, providing technical support and promoting capacity-building. At the same time, global development measures and policies must be respectful of national ownership, strategies and sovereignty.

4. He expressed deep concern at the turbulence in the international financial markets and the fiscal strains experienced by many developed countries, which had the potential to affect developing countries as well. He was also highly concerned that many developed countries continued to fall short of the targets for official development assistance (ODA). In that connection, he reaffirmed the importance of holding a second review conference on financing for development in 2013.

5. The coordination segment provided an opportunity to build on and promote the ministerial declaration recently adopted at the high-level segment (E/2012/L.10). The Council must continue its efforts to strengthen the coordination of development activities within the United Nations system and beyond.

6. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that the ongoing economic and financial crisis had severely affected employment in the least developed countries, particularly in export-oriented industries, and had sharply reduced the growth of those countries' gross domestic product (GDP). In that context, the slump in the amount of ODA provided to those countries in 2011 was particularly alarming. Innovative financing mechanisms were a necessary supplement to ODA, but not a replacement. The least developed countries also needed additional funding for climate change adaptation and mitigation. Likewise, there was a pressing need for all development institutions and stakeholders to assemble a comprehensive package of measures to assist countries emerging from conflict.

7. To boost the export revenues of least developed countries, it was essential to increase the scope and funding of the Enhanced Integrated Framework and to strive for an early conclusion of the Doha Round, with the accelerated acceptance ("early harvest") of provisions benefiting those countries (duty-free, quota-free market access with flexible rules of origin and

special provisions for the services sector). With respect to credit, full cancellation of the multilateral and bilateral debts of least developed countries would free up much-needed resources, and he called upon the Bretton Woods institutions to expand further their Heavily Indebted Poor Countries Initiative. New credit facilities should be inclusive, sustainably financed and easily accessible, with fewer conditions. The private sector could also be an important source of investment in least developed countries, and private investment should be encouraged through risk mitigation and other preferential measures. In closing, he called for effective implementation of the Istanbul Programme of Action, for which both South-South and North-South cooperation would be necessary, and for the full integration of its priority areas in the follow-up to the United Nations Conference on Sustainable Development (Rio+20).

8. **Mr. Zdorov** (Belarus) said that the participation of representatives of international financial and trade institutions in the Council's deliberations had led to the suggestion of a number of innovative approaches to development financing, which would invigorate the search for collaborative solutions. The in-depth discussion on technology transfer was particularly welcome.

9. A robust trading system was a precondition for sustainable development, and in that context the issue of tariffs and trade barriers was especially crucial. Protectionist measures were unacceptable, particularly in light of the negative consequences of the global economic and financial crisis, and should be comprehensively eliminated from international practice. Protectionist measures were often directed against low- and middle-income countries whose economies were vulnerable to external shocks as a result of their deep integration into the global economy. The United Nations should not remain passive in the face of such practices, but should take steps to ensure that the countries affected received the necessary assistance, taking their degree of economic development and financing needs into account. The Organization's active participation in those efforts could help to eliminate the imposition of unilateral economic sanctions, which were often used as a means of coercion against unpopular Governments or those under their jurisdiction. Politically motivated measures not only constrained bilateral cooperation, but negatively impacted international trade as a whole, undermined national sovereignty and contravened the principles of the Charter of the United Nations, the norms of international law and the rules of the international trading system.

10. **Mr. Zagrekov** (Russian Federation) said that the Council played a key role in coordinating the follow-up to the Monterrey and Doha Conferences on financing for development. In that context, there should be an efficient division of labour between the Council and the General Assembly; in particular, Council resolutions should not duplicate the corresponding resolutions of the Assembly's Second Committee.

11. The Council should focus on enhancing mutually reinforcing cooperation between the United Nations and international financial and trade organizations in the interest of effectively implementing the international development agenda and strengthening the cohesion of the global monetary, financial and trading systems. It was essential to capitalize on the Council's comparative advantages, particularly its well-established relations with the main stakeholders in the post-Monterrey process, including non-governmental organizations and the private sector.

12. His delegation welcomed the outcome of the special high-level meeting of the Council with the Bretton Woods institutions, WTO and UNCTAD, and valued the contribution of the Financing for Development Office of the United Nations Secretariat, which should continue to provide analytical and organizational support for the Council's work. His delegation likewise appreciated the efforts of the Council President and Bureau to foster contacts with stakeholders such as the International Monetary Fund (IMF) and the World Bank, and welcomed the suggestion that a small joint working group should be established to explore future collaboration and cooperation between the Council and the major institutional stakeholders in the area of financing for development. In addition, it supported the Council President's participation in meetings of the governing bodies of the Bretton Woods institutions, as well as the organization of regular briefings by representatives of international financial and trade institutions on current financial and economic matters.

13. His delegation fully supported the consolidation of the ongoing multifaceted and varied discussions regarding the mobilization of development resources

within the framework of a single process for the follow-up to the Monterrey and Doha Conferences. The resolutions adopted at Rio+20, particularly with respect to financing, should be integrated into the broader context of the post-Monterrey agenda. The harmonization of the two processes would enhance the Secretariat's effectiveness in supporting the negotiations on strategies for financing sustainable development.

14. **Mr. Muñoz Ledo** (Mexico) said that his country remained committed to working towards a fully inclusive and equitable global economic system. Ten years after the Monterrey Conference, the holistic approach to financing for development embodied in the Monterrey Consensus on Financing for Development provided a strong framework for national and international efforts to achieve economic recovery. A second review conference might be useful in order to draw up a comprehensive road map for development beyond 2015.

15. As the current President of the Group of 20, Mexico was focusing on the strengthening of the international financial architecture. The decision to increase IMF resources to $450 billion would undoubtedly boost financial aid flows to the countries and regions in greatest difficulty. To facilitate a coordinated response to the global financial crisis and increase the coherence and effectiveness of international development policies, the Council should take immediate action to establish truly substantive dialogue with the Bretton Woods institutions.

16. Future follow-up to the Monterrey Conference should include consideration of the sustainable development aspects of financing for development, while follow-up to Rio+20 should emulate the holistic approach adopted at Monterrey and reflect the three pillars of sustainable development. The Council, whose role as the principal organ for policy review, policy dialogue and recommendations on the economic and social aspects of sustainable development had been reaffirmed, would play a central role in both arenas. He urged the participants in the intergovernmental negotiation process agreed upon at Rio+20 to ensure that the resource mobilization strategies devised made full use of existing mechanisms and instruments.

17. **Ms. Ajamay** (Observer for Norway) said that ODA alone could not achieve a more equitable distribution of wealth between and within countries and must be supplemented by mechanisms such as innovative financing. In addition to its generous ODA allocation, which amounted to 1 per cent of its gross national income (GNI), Norway contributed to various innovative initiatives promoted by the Leading Group on Innovative Financing for Development, including the International Finance Facility for Immunization (IFFIm), the Global Alliance for Vaccines and Immunization (GAVI), advance market commitments for vaccines, the Global Fund to Fight AIDS, Tuberculosis and Malaria and the International Drug Purchase Facility, UNITAID.

18. Norway also supported the concept of global taxes. For example, it seemed reasonable to expect the financial sector, which had benefited from government support during the financial crisis, to make a small contribution through a very minimal tax on currency and/or financial transactions that could be used to fund development, climate change measures and global public goods. Likewise, polluter-pays levies on air and sea transport could generate revenues to combat climate change. In closing, she stressed that discussions on inclusive growth and mechanisms for redistribution should be part of the overall discourse on innovative financing.

19. **Mr. dos Santos** (Brazil) said that innovative financing mechanisms would be necessary in order to achieve the Millennium Development Goals (MDGs) and implement sustainable development. However, they should not impose an excessive burden on developing countries. They also were not a substitute for traditional assistance; donor countries still needed to fulfil their ODA commitments.

20. In 2004, Brazil, together with Chile, France and Spain, had spearheaded the Action against Hunger and Poverty initiative, aimed at identifying innovative sources of financing. It was an active participant in the Leading Group and contributed to initiatives such as UNITAID, GAVI and IFFIm with revenue from a domestic tax on the sale of international air travel tickets. It took great interest in the work of the Task Force on International Financial Transactions for Development and the Digital Solidarity Fund, as well as in discussions on illicit financial flows. Efforts to mitigate the adverse effects of tax havens and capital flight on development should involve both developed and developing economies. Stable and predictable innovative sources of funding could be powerful tools for transformation, provided that the resources generated were channelled in ways that respected

national ownership and aligned with long-term national development goals.

21. **Mr. Rodríguez Hernández** (Cuba) said that the peoples of the South were the primary victims of the worsening crisis of the capitalist system, which was being used as a justification for the developed countries' general failure to meet their modest development assistance commitments. The Monterrey Consensus had thus far produced few results, mostly because of insufficient financing, and a second review conference on financing for development was therefore crucial. As the situation in the developing world worsened, net financial flows were moving from the South to the North and billions of dollars were being spent to rescue failed banks and shore up bankrupt developed countries. It was essential to find innovative forms of financing, but not as a substitute for ODA or by shifting the responsibility for financing to developing countries. He hoped that the Council would be able to adopt the necessary decisions to increase financing for development, because otherwise any discussion of strengthening the Council would be pointless.

22. **Mr. Escalona** (Observer for the Bolivarian Republic of Venezuela) said that financial capital that might have been used for development was tied up in war, the economic and financial crisis and climate change-related disasters. Furthermore, development was a risky investment. Hard-won progress could be destroyed at any time by environmental disaster; internationally condoned warfare, such as the action taken in Libya, previously the country with the highest human development indicators in its region; or pro-bank IMF policies that were undermining food security and globalizing economic dependency and poverty. The reduction of health, education and social security spending and the increasing reliance on indirect taxes instead of income taxes were undermining development, peace and security.

23. It was essential that the developed countries should follow through on their financial and technology transfer commitments. In addition, in order to free up capital for development, the international community must ensure global and environmental peace and stability and must eradicate financial and commodity speculation. It must also stop bailing out banks, which had become channels for speculation, not investment, and financed rapacious multinationals promoting transgenic agriculture that endangered food sovereignty, agricultural development and the right to food. Other sources of liquidity, such as special drawing rights for development, were necessary in order to break the international financial system's IMF-backed monopoly on credit creation and permit the financial autonomy needed for development. Together with mutual cooperation and fair trade, innovative mechanisms such as the Bank of the South and the Unified Regional Payment Clearing System (SUCRE) would open the door to development by promoting sovereignty and independence.

24. **Mr. Gálvez** (Chile) said that, in the context of preparations for a second review conference, it was important to understand why the Monterrey Conference had been a success. First, the consultations had been inclusive, rather than restricted to the major international financial institutions. Second, the agenda had been broad-based, encompassing topics outside the traditional focus of development, including the mobilization of domestic resources, trade, investment, access to financing and systemic issues. Third, the Conference had been constructive, emphasizing partnership rather than ideology and confrontation. The participants had united around a single goal — a fully inclusive and equitable global system — which must continue to guide future efforts.

25. **Ms. Davison** (United Kingdom) said that commitment to the Monterrey Consensus was a prerequisite to substantial progress on the MDGs and sustainable development. The United Kingdom was meeting the targets under goal 8 and was enacting legislation on its Monterrey commitment to spend 0.7 per cent of its GNI on development assistance by 2013. Innovative financing mechanisms could not only leverage more resources for development; they could also increase the effectiveness of development finance. She hoped that initiatives such as the recent London Summit on Family Planning, co-sponsored by the Government of the United Kingdom and the Gates Foundation, would result in effective financing and partnerships for development.

26. **Mr. Wang** Qun (China) said that, in order to improve the highly unstable global economic situation and facilitate financing for development, the developed countries should promote steady economic recovery by analysing systemic risks, cooperating to resolve the European debt crisis, coordinating macroeconomic policies and maintaining the stability of the international financial markets. They should uphold the

position of ODA as the main channel of development financing by meeting their ODA commitments, so that South-South cooperation, innovative financing and triangular cooperation remained supplemental. They should also provide additional financing to help developing countries achieve sustainable development. In that connection, he hoped that the intergovernmental negotiation process to be launched pursuant to the Rio+20 outcome document (A/CONF.216/L.1) would quickly lead to an effective strategy for sustainable development financing.

27. In the spirit of the Monterrey Consensus, China had cancelled the debts of 50 heavily indebted poor countries and had granted zero-tariff treatment to products under 97 per cent of tariff items imported from most of the least developed countries. It had established the International Poverty Reduction Centre in China, had provided managerial and technical training to nationals of least developed countries and had built essential infrastructure in those countries; all of that assistance had been provided without conditions. It had pledged $6 million to the trust fund for capacity-building of the United Nations Environment Programme and would set aside RMB 200 million over three years to help developing countries cope with climate change. In short, it was working and would continue to work towards full implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development.

28. **Mr. Marks** (United States of America) said that, in order to take charge of their own development by attracting capital flows, developing countries needed to create stable, transparent business environments, supported by the rule of law, strong institutions and respect for economic freedom and for civil and political liberties. While the United States was the largest provider of development assistance and had met its aid commitments, including its commitment to double aid to Africa, it was mindful of the shrinking relative importance of ODA. New partners, including emerging economies, civil society and the private sector, had become critical players in development. Developing countries, for example, accounted for one third of outward foreign direct investment and were increasingly important sources of debt finance. The Council could continue to play an important role in integrating new development partners and different modes of development cooperation into the financing for development agenda.

29. The United States was a strong proponent of the Council's Development Cooperation Forums and annual high-level meetings with the Bretton Woods institutions, WTO and UNCTAD. It encouraged the further strengthening of existing bodies and forums for the discussion of financing for development. However, duplication of effort between the Council and the Second Committee of the General Assembly in that area should be minimized.

30. **Mr. Busuttil** (Observer for the European Union) said that a strong and efficient United Nations was vital for improving coordination and policy coherence in the sphere of development at the global, regional and national levels. The European Union and its member States were striving to achieve international quantitative and qualitative targets for development assistance. Collectively, the European Union was the world's largest ODA donor, with an ODA-to-GNI ratio more than double that of Japan or the United States. It had met the target of contributing 0.15 per cent of GNI to ODA for the least developed countries, had substantially increased ODA for sub-Saharan Africa and was keeping its commitments on fast-start climate finance. To improve aid effectiveness, it was working on a range of measures to implement commitments arising out of the high-level forums held in Rome, Paris, Accra and Busan.

31. ODA, while catalytic, was part of a much broader set of tools for financing development. In a context of budgetary austerity, discussions on alternative financing mechanisms had gained new resonance, as evidenced by the final declaration of the 2011 Group of 20 Summit. The European Union was exploring additional funding mechanisms such as loan-grant blending to leverage new resources, and it continued to drive global aid-for-trade efforts. It also stood ready to assist developing countries in implementing the principles of good governance in tax matters, which would not only increase domestic revenues by reducing tax evasion, but would also help to address money laundering, corruption and the financing of terrorism.

32. Lastly, discussions of ODA, climate finance, sustainable development, biodiversity and global public goods were closely linked. The European Union remained convinced of the need to merge poverty reduction and sustainable development objectives and would engage constructively to implement the Rio+20 outcome in a coherent, inclusive and effective manner.

The role of the United Nations system in implementing the ministerial declaration of the high-level segment of the 2011 substantive session of the Economic and Social Council (*continued*) (E/2012/L.9)

Draft resolution E/2012/L.9

33. **Ms. Fahmy** (Egypt) introduced draft resolution E/2012/L.9, entitled "The role of the United Nations system in implementing the internationally agreed goals and commitments in regard to education".

34. **The President** said that the draft resolution had no programme budget implications.

35. *Draft resolution E/2012/L.9 was adopted*.

The meeting rose at 5.30 p.m.