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Economic and Social Council

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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 6th meeting
Held at Headquarters, New York, on Monday, 22 April 2013, at 9.30 a.m.

President: Mr. Osorio. . . . . (Colombia)

Contents

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The meeting was called to order at 9.40 a.m.

Special ceremony: Inauguration of the renovated Economic and Social Council Chamber

Remarks by the President of the Economic and Social Council

1. **The President** said that the reopening of the renovated Economic and Social Council Chamber was an historic event that came at an important juncture in the Council's history as it sought to strengthen and reinvent itself and keep up with the demands of its mandate. The renovations were also consistent with the spirit of change and growth that guided the current process. The Chamber had housed many crucial debates on some of the world's most challenging development issues and had also witnessed the remarkable results that were possible when the international community came together in solidarity. The gift from Sweden had been designed by renowned architect Sven Markelius and characterized by a special feature — the unfinished ceiling — that was a symbolic reminder that the economic and social work of the United Nations would never be finished as long as poverty, hunger, exclusion and despair existed. In advancing development, the Council must not allow itself to be limited by any ceiling — whether glass, wood or steel; or the self-imposed limits on ingenuity.

Remarks by the Secretary-General of the United Nations

2. **The Secretary-General** said that as the United Nations reopened the Economic and Social Council Chamber, the commitment of the original members to development would be passed on. The ceremony was another step in the return to greener Headquarters following the completion of the Secretariat building and the recent inauguration of the Security Council Chamber. The new Chamber invited the Council to take a new look at its surroundings: the deliberate flaw — the unfinished ceiling — had also remained as a reminder that the work of the Council was not yet finished. He hoped that the United Nations could someday complete the Council's mandate, as it had with the adjacent Trusteeship Council, and close that ceiling.

3. In 1952, when the United Nations had first moved into the Headquarters, delegates had been urged to make the most of the building to deal with the immense political, social and economic difficulties of that time. Though current difficulties were equally immense, with new and previously unimagined challenges, the progress made was a source of hope.

4. He was encouraged that the United Nations Conference on Trade and Development, the World Trade Organization and the Bretton Woods Institutions would be meeting, a highly valued collaboration. That global partnership could further progress on the many problems on the Council's agenda.

5. He thanked Member States for their patience and support during the move and extended special gratitude to the Government of Sweden for sponsoring the remarkable Chamber, from its original decoration, its 1995 renovation when the Council had doubled its membership, to the latest renovation, and also for its enormous political support to the work of the Council and global development. It carried on the great tradition of Secretary-General Dag Hammarskjöld, who firmly believed that economic and social concerns were just as important as political issues, if not more so. He shared that philosophy of solidarity and urged members to use the new room for dynamic action that would have an impact far beyond its walls to help suffering people. United action would make the world more just and equitable — and, consequently, more peaceful.

Remarks by the Minister for International Development Cooperation of Sweden

6. **Ms. Carlsson** (Sweden) said that since becoming a Member State, active involvement in and support for the actions of United Nations had been a cornerstone of Sweden's foreign policy and reflected in its contributions to peace and security, peacekeeping, development and human rights. Dag Hammerskjöld had symbolized that commitment, but one of the lesser-known aspects of his contributions was his personal interest in interior design and art inside the Headquarters complex and the embellishment of the original Chamber, famous for its symbolism, which had been a national gift along with the Meditation Room and other works of art.

7. Welcoming the careful renovation of the Chamber, she presented the new curtain, "Dialogos", by contemporary Swedish artist Ann Edholm, replacing the original curtain by Marianne Richter. It was fitting that a work of art symbolizing the close ongoing dialogue between Member States to arrive at consensus

and also linking the past and the future should decorate a Chamber devoted to the ongoing work of development. The art could be interpreted in many ways; she saw the mass of white as symbolizing the poor and marginalized who were reaching upward and yearning for their voices to be heard. It was the Council's duty to ensure that those voices were heard and that the interests of the poor were served. She expressed thanks to the Secretary-General and the Secretariat, the Swedish National Public Art Council and National Heritage Board, and all those involved in the renovation.

8. *At the invitation of the President, the Secretary-General, the Deputy Secretary-General and the Minister for International Development Cooperation of Sweden joined him in cutting the ribbon to inaugurate the renovated Economic and Social Council Chamber.*

Coherence, coordination and cooperation in the context of financing for development for sustainable development and the post-2015 development agenda (E/2013/52)

Opening address by the Deputy Secretary-General of the United Nations

9. **The Deputy Secretary-General of the United Nations**, welcoming the Secretary-General's reference to the importance that Dag Hammerskjöld had placed on economic and social imperatives, said that deliberations in the Economic and Social Council would indeed reverberate around the world. As the Council aimed to secure better and more equal conditions for the millions living in poverty, it helped to stabilize societies, right wrongs and take away incentives to undermine peace. That was no easy task in a world struggling to recover from the global financial crisis and still suffering from debt problems, banking fragility and fiscal pressures that combined to impede economic recovery. The jobs crisis continued unabated, with significant economic, social and psychological ramifications on younger generations and deepening inequality worldwide.

10. He recalled the agreement and commitments made at the 2012 United Nations Conference on Sustainable Development (Rio+20), but noted that the global slowdown had narrowed the space for investments in education, health, sanitation and other drivers of development. Efforts to end poverty and reduce inequalities were also significantly affected by the decline of official development assistance (ODA) in the last two years.

11. In times of crisis, it was more important than ever to protect and support the poorest and the most vulnerable. National Governments had the primary responsibility to develop sound national policies and to mobilize domestic resources as key components of sustainable development. It was also recognized that developing countries needed a favourable international environment and additional resources for development.

12. To finance sustainable development, significant resources must be raised from different sources and used effectively. He commended those Member States who had increased their ODA and encouraged all others to fulfil their commitments with regard to the long-agreed target of 0.7 per cent of gross domestic product (GDP) for ODA. That was crucial to the drive to attain the Millennium Development Goals in the time remaining and would also generate greater momentum for the post-2015 period. One of the main challenges for the post-2015 development agenda was to arrive at a coherent framework of priority areas and to understand the mutually strengthening links between them. Horizontal, not vertical thinking was required to change the dynamics of the international system. With its longstanding holistic and integrated approach to development, the Council could play a crucial role in promoting dialogue on a dynamic, forward-looking post-2015 development agenda — a simultaneously daunting and inspiring challenge.

13. Whatever the vision and agenda ultimately chosen by Member States, it must be backed by a sound framework for action. The Council was therefore well placed to address the question of financing for sustainable development and promote renewed commitment to the Monterrey Consensus of the International Conference on Financing for Development and the Doha Declaration. The intergovernmental committee of experts would have a paramount responsibility to propose options on an effective financing strategy. Partnerships would be crucial in the period ahead and the strong representation from the multilateral organizations at the current meeting augured well. The Council also provided an effective forum for including civil society and the private sector in the debate.

14. Like the Secretary-General, he wholeheartedly supported that widening dialogue. The productive 2013

Spring Meetings of the International Monetary Fund and the World Bank had covered critical development issues extensively and had also enabled in-depth talks with Ministers of Finance on the importance of investing in sanitation and on incorporating more fully the rule of law in development strategies, drawing on General Assembly resolution 65/153 on follow-up to the International Year of Sanitation 2008, and the Declaration of the High-level Meeting of the General Assembly on the Rule of Law at the National and International Levels, held in 2012 — a first step on the way to strengthening their cooperation with the United Nations system. While such high-level engagement was gratifying, the focus should always be at the grassroots level to drive progress. The Secretary-General had met with the Presidents of all the world's multilateral development banks and had also participated in an event with a global online audience on how to end poverty. In working to achieve the Millennium Development Goals, it was vital to give priority to people and realities on the ground. Consequently, the post-2015 development agenda was being framed through a truly broad and consultative process, with national consultations in almost 100 countries.

15. Harnessing the power of partnership would accelerate progress across the development agenda. The Council's work in promoting South-South Cooperation as an additional form of exchange of experience and financing was therefore important. The current biennium was crucial for strengthening the intergovernmental arrangements for sustainable development and particular attention should be given to the role and format of the high-level political forum launched in Rio. He urged participants in the current meeting to push for progress toward 2015, thus contributing to a bold yet practical new vision for truly equitable and sustainable global development.

Opening remarks by the President of the Economic and Social Council

16. **The President** said that in the wake of the world financial and economic crisis, global economic prospects remained grim as continued weaknesses such as sovereign debt problems, banking fragility and fiscal pressures in many developed countries, especially in the eurozone, were impeding recovery and were at the root of slow global growth. The global slowdown also implied high levels of unemployment worldwide, a slower pace of poverty reduction and a narrowing of fiscal space for investments in areas that were critical for achieving the Millennium Development Goals. That could be further compounded by range of downside risks, the conceivable spiralling of geopolitical tensions and the possibility of a climate shock leading to a rise in world food prices. Therefore, more forceful and concerted policy actions at both national and international levels were needed. Fiscal policy, for example, should become more countercyclical, more equitable and support more job creation.

17. Secondly, an effective strategy of financing for sustainable development should support inclusive economic growth that was environmentally, economically and socially sustainable. Such a strategy would require domestic resource mobilization, the fulfilment of all ODA commitments and the use of innovative financing mechanisms. Effective mobilization and channelling of resources to key areas would call for a sound, broad-based and inclusive financial sector. It was also necessary to promote financial stability to facilitate long-term investments in such crucial sectors as infrastructure, low-carbon innovation and technology projects and funding for small and medium enterprises.

18. Recalling the agreement at the Rio Conference to establish an intergovernmental committee of experts to propose options for an effective sustainable development financing strategy, he welcomed the creation of a dedicated working group under the United Nations System Task Team on the Post-2015 United Nations Development Agenda to mobilize inputs from the system in support of the work of the committee.

19. Thirdly, there was a need for a renewed global partnership for development in the context of post-2015 development agenda. Despite the important achievements of the Millennium Development Goal strategy, the post-2015 development agenda would need a more structural, inclusive and systemic approach to deliver the transformative change needed to address current and emerging challenges, with credible strategies for secure, sustainable and inclusive global development. It was thus necessary to work towards a renewed global partnership which embraced the changing development landscape. Mobilizing and effectively using financial resources for development would be central to that partnership.

20. More accountability, cooperation and coherent policy-making were needed from Member States to frame, monitor and implement the renewed global partnership for development. The biennial Development Cooperation Forum could promote mutual accountability as an overarching principle in the post-2015 development agenda. More accountability, inclusiveness and coherence were also needed in global economic governance, with effective arrangements for collective decision-making among diverse stakeholders at the international level to enhance global partnership for development through ensuring the participation of all relevant actors.

21. Strengthening the role and effectiveness of the United Nations would contribute to more coherent global economic governance. Making that system more representative required greater involvement of developing countries in international economic decision-making and norm-setting as well as the active participation of civil society and the private sector in dialogue and activities. He was confident that many innovative ideas and policy approaches to address the serious development financing challenges would emerge from the discussions, which provided an important opportunity to discuss the practical steps for enhancing development efforts.

High-level panel discussion on theme 1: "World economic situation and prospects in the wake of the world financial and economic crisis"

22. **Mr. Bainimarama** (Fiji) speaking on behalf of the Group of 77 and China, said that, although the increasingly complex challenges of a globalized world and more cross-cutting global development meant that stakeholders were increasingly active in the development process, national Governments must play a central role in framing the future global development agenda through an intergovernmental process with the full participation of all States.

23. The world economy was still struggling to recover from the financial crisis. Current institutional arrangements had proved to be inadequate in addressing a range of pressing development issues. There was a need for urgent systemic reform to improve the effectiveness, transparency and legitimacy of international financial and monetary systems, a more viable international financial architecture reflecting current realities and giving greater voice to developing countries and transparency and proper regulations in the financial sector.

24. Current IMF reforms to address certain aspects of those challenges through the necessary redistribution of voting rights would not in themselves resolve the fundamental problems of financial instability and lack of liquidity for developing countries in need. Reform must encompass liquidity creation, including improvements in the special drawing rights for developing countries, a framework for resolving debt distress, private sector investment in productive sectors, and technology transfer at concessional terms.

25. A renewed and strengthened Global Partnership was imperative for a transformative, people-centred and planet-friendly development agenda. The Monterrey Conference had signalled a new approach to addressing development finance issues and should be a basis for that partnership beyond 2015. The Group of 77 and China firmly believed that ODA remained an essential catalyst for sustainable development. The post- 2015 development agenda needed effective means of implementation, including adequate, predictable and stable development financing.

26. The Group of 77 and China had repeatedly emphasized the importance of trade for long-term sustainable growth. To fully harness its potential, it was important to uphold a universal, rules-based, open and equitable multilateral trading system that contributed to growth, sustainable development and employment creation, particularly for developing countries. Timely conclusion of the Doha Round of multilateral trade negotiations and full compliance with its mandate were vital. A successful outcome would help to ensure growth in global trade and create new market access opportunities for developing countries.

27. Developed countries should provide effective trade-related technical assistance and capacity-building specific to the needs and constraints of developing countries, and should adequately support the Enhanced Integrated Framework to address supply- and trade-related infrastructure and productive capacity constraints of least developed countries. Moreover, international financial and trading systems should adopt and implement appropriate policies to facilitate foreign direct investment in developing countries, including investment guarantee schemes targeting productive sectors.

28. **Mr. Otorbaev** (Kyrgyzstan) said that he had also attended the World Bank Spring Meetings, but had left with no more certainty or optimism than before. The monetary measures recently undertaken in the United States of America, the European Union and Japan were a matter of concern. By weakening their currencies to compete against each other, the world's strongest economies did nothing to help stability. Rather, they placed the world on a riskier trajectory for development and increased inequality.

29. As a whole, the objectives of the Paris and Rome Declarations on aid effectiveness had not been implemented — only one of thirteen targets had been met — and while aid recipients had generally complied with the framework, donors had not. The Council should therefore consider launching another high-level forum on aid harmonization and effectiveness. His country's analysis of policy and development aid had shown that governance was key, for without efficient and transparent governance, development aid could not be effective. It was also important to determine which measures would be more effective in limiting potential negative spillovers of the policies of bigger economies. In that regard, emerging countries, particularly Brazil, Russia, India, China and South Africa (BRICS) should play a larger role in multilateral institutions and be given more shares and voting rights in development banks.

30. Given his country's geographical location in the region with the fastest development, integration, open borders and competitive economic policy were considered the driving force for development. Kyrgyzstan was at a crossroads and required advice on best practices for reform, but its experience with many development agencies had shown that bureaucracy and inefficiency were still obstacles to good governance. Its willingness to compete on the world market and adopt international sustainable development programmes had already borne fruit, as evidenced by first quarter growth of 7.6 per cent and 2 per cent inflation in 2013.

31. The current high-level event should be maintained and implemented in a regional format as it provided a unique opportunity to engage in the necessary debate and address the difficult questions that must be resolved to make the world more equitable.

32. **Mr. Cardenas Santamaria** (Colombia), recalling his country's active participation in discussions on post-2015 development goals, said that while the Millennium Development Goals had provided a valuable road map for economic and social policies, renewed commitment on the part of the United Nations and its Member States would help to continue guiding development policies. Colombia had significantly reduced extreme poverty and was on track to achieve that Goal; similar success in goals related to health, education, employment and gender equality were all attributable to strong economic growth stemming from higher fiscal revenues. That had increased its capacity to address social problems and help the most vulnerable sectors.

33. Moving forward, development goals should be considered to reflect the current realities of emerging and middle-income countries. With a per capita income of approximately US$ 8,000 and a growth rate upwards of 5 per cent per year, Colombia had been able to invest heavily, accelerating and improving economic indicators as a result of good macroeconomic policies, unfettered access to financing and foreign investment. Having reduced extreme poverty, the Government was now focusing on the middle classes, which should attain income levels, consumption patterns and a standard of living comparable to those of developed countries.

34. In defining new development goals, it was also important to have quantifiable, sustainable and comprehensive indicators. Colombia fully supported the concept of sustainable development goals and commitments to reduce the effects of greenhouse gases, particularly regarding the elimination of subsidies for fossil fuels. Such subsidies were regressive and had a negative impact on the environment. Although it was one of the top 20 oil producing countries, Colombia was fully committed to protecting the environment and consequently levied a 20 per cent tax on fossil fuels.

35. It was also important to find means of coordinating international economic policies. His delegation was concerned by the tendency of developed countries, especially those with reserve currencies, to adopt excessively expansionist monetary policies. That was too easy a solution and had negative collateral and economic repercussions as other countries whose currencies had gained strength became less competitive. Larger representation of middle-

income countries in financial institutions was necessary and should be based on the size of the economy, measured by GDP at market prices.

36. Lastly, the new post-2015 development goals must also take productivity into account. One of the most important elements to be considered was the capacity to be competitive and having the necessary infrastructure for receiving capital flows. The essential difference between developing and developed countries was their productivity; that gap could be reduced with the requisite investment in human capital and infrastructure.

37. **Mr. Rehn** (Vice-President, European Commission and Commissioner for Economic and Monetary Affairs) said that recent discussions at the Group of 20 Summit and the Spring Meetings had revealed a broad consensus on policy for sustainable growth and job creation as a means of tackling common challenges. The overriding objective in the European Union was to create conditions for sustainable growth through structural reform to increase competitiveness, financial sector reform and consolidation of public finances. Fiscal consolidation efforts had halved deficits from 6 per cent to 3 per cent since 2011, even though the pace had slowed in 2013 compared to 2012. Three factors had facilitated a medium-term approach to fiscal consolidation and slower pace of adjustment: increased credibility as a result of progress in balancing budgets; the stabilizing effect of measures taken by the European Central Bank; and stronger economic governance. Europe was still rebalancing its economy by addressing short-term stabilization and structural reform and by reinforcing the architecture of the economic and monetary union. Structural and fiscal policies were coherent and comprehensive and could be adapted to country-specific circumstances.

38. Since the challenges of sustainable growth and fiscal stability were shared by global partners, there was a need for greater policy coordination and a forum with effective decision-making capacities to direct global economic issues. The European Union would do its part to advance the Group of 20 agenda, including through outreach to all Member States and stronger interaction with the United Nations. Despite the crisis, the European Union fulfilled its obligations: it remained the world's largest donor of development assistance and was committed to the implementation of the Millennium Development Goals and preparing a post-2015 agenda that linked poverty eradication to sustainable development.

39. Multilateralism being a founding principle of the European Union, it supported the fundamental role of the United Nations system in global governance. It also welcomed the efforts of the Bretton Woods institutions to respond and adapt to new realities in global economic governance; its 27 member States had ratified the relevant decisions by those bodies, including the 2010 IMF Quota and Governance Reform. In that regard, it encouraged those institutions to continue in that direction and to enhance collaboration with the United Nations. Committed also to the Doha Development Agenda, the European Union recognized that while an open economy and free international trade were essential for the global recovery, correcting the problems of the past through sustainable growth was a shared responsibility.

40. **Mr. Dirar** (Sudan) said that lessons must be learned from the international financial crisis, which had illustrated the important role of development and mutual aid and the need for integrated policies to achieve sustainable development. His delegation therefore reaffirmed its readiness to work with all Member States, particularly in line with the Secretary-General's initiative to fast-track attainment of the Goals. The crisis had exposed the shortcomings in the existing system; cooperation was therefore the key to reform, paving the way for a new system based on the principles of the Rio and Monterrey conferences. Those reforms included placing greater focus on the needs of disproportionately affected the least developed countries and internal transformation of the Bretton Woods institutions, entrenching the concept of free trade as a development tool.

41. Partnerships and cooperation were fundamental for a post-2015 agenda in which unilateral economic sanctions and systematic implementation of tight policies would be replaced by positive measures to address economic problems. It was also important to address the debt crisis, particularly in post-conflict countries such as his, which were working diligently to contain and resolve conflicts as they focused on development. Recently resumed bilateral cooperation with South Sudan and peacebuilding in Darfur had been highly successful. The international community and financial institutions could recognize and support such efforts by reducing the external debt burden of post-conflict countries.

42. **Ms. Urpilainen** (Finland) said that sustainable development was an issue of intergenerational equity. For natural resources to be used sustainably, the current generation must recognize that resources were limited and must ensure environmentally sustainable growth, abandoning the costly subsidizing of fossil fuels on the pretext of meeting social objectives — a practice that benefited the rich.

43. Not just resources, but also opportunities, must be fairly shared. The crisis had led to a drastic rise in youth unemployment, bringing with it the dual risk of a lost decade of economic growth and of a lost generation. With over 600 million young people having no opportunities to work or study to acquire the skills that were crucial for productivity, it was important to prevent youth dropout. She hoped that the "youth guarantee" initiative introduced in Europe to offer jobs or training for young people after four months of unemployment could be adopted in other countries. However, education had to be funded, which meant that a functioning tax system with broad tax bases and action against tax evasion and fraud based on international standards was necessary. Only through an equitable approach to sustainable development between generations could there be a true change in consumption patterns.

44. **Mr. Nowotny** (Austria) said that, from his perspective as Governor of the Austrian National Bank, there was no euro crisis; there was a sovereign debt crisis, a growth crisis and a banking crisis, but the euro had been successful. Payments were made in euros, savings were held in euros and the euro was a reserve currency. Indeed, its share as a reserve currency was increasing. Economically speaking, the 11 years since the physical introduction of the euro had been a success for all the countries of the eurozone. The annual average inflation for that period had been 1.9 per cent, meeting the target of the European Central Bank. Moreover, the balance of trade and payments of the eurozone economies had been stabilized. However, attempts to increase competitiveness had been frustrated by the banking crisis, which had originated in the United States, and had, in turn, caused the economic crisis and the sovereign debt crisis.

45. Sovereign debt had increased as Governments had been forced to borrow money to try to solve the banking crisis and to stimulate the economy. In addition, when the economy had taken a downturn, built-in economic stabilizers such as unemployment costs had gone up, further increasing national deficits. Growth in Europe was weaker than that of Asia and the United States, but there were regions within Europe, such as Central and Eastern Europe, which had and would continue to experience growth. National Governments and the Commission of the European Central Bank would have to work together to increase European countries' economic growth and competitiveness. Unfortunately, there was no simple solution; different Governments had different economic philosophies, but growth was necessary if the high unemployment figures of many European countries, especially youth unemployment, were to be reduced.

46. There had been criticism of the involvement of Austrian banks in Central and Eastern Europe, especially by American analysts. However, that involvement had been a success for both parties. There had been some issues, but the banks' balance sheets had revealed that the necessary reserves were in place. A distinction should also be made between the countries of the region with a strong industrial base and those without. In general, with regard to the overall goals of deficit reduction, greater competitiveness and growth, Europe was on the right track.

47. **Mr. Anwar** (Pakistan) said that on the whole, the global economy was still mired in the economic and financial crisis that had begun in 2008. Although that crisis had not originated in developing countries like Pakistan, where he was Governor of the State Bank, they were now facing its worst consequences. While each country had faced a unique set of challenges as a result of the crisis, there were a number of noteworthy lessons that could be applied globally. First, contagion was the flip side of an increasingly globalized world. Broad-based discussions between all stakeholders were needed on possible solutions to the crisis and deeper reforms of the global financial system would be needed at both national and international levels to ensure stability. Second, developing countries lacked or had insufficient economic shock absorbers, leading to enhanced risk premiums on lending and investments, which had resulted in a surge in external financing costs. The global downturn and stress in the international credit markets were restricting private capital inflows and the operations of foreign banks in developing countries' markets. Similarly, the ability of developing countries to anticipate economic crises

needed to be strengthened by overcoming existing global structural and institutional imbalances and ensuring greater regulatory oversight and better risk assessments. Despite efforts to resolve the crisis, the resulting exchange rate depreciation and higher interest rates could increase the risk of debt distress in vulnerable countries, exacerbated by the decline in reserves held by developing countries, limiting their capacity to service or roll over external debt. Moreover, should the crisis continue, the capacity of donor countries to provide ODA could be reduced, which would, in turn, have serious consequences for the balance of payments of many developing countries, particularly with regard to public spending on social development and associated infrastructure.

48. In the case of Pakistan, its economic prosperity would define the contours of economic and political stability in that region and beyond. It was therefore important that international responses and the post-2015 development agenda did not ignore the circumstances faced by countries like his, resulting from war and high numbers of refugees. Similarly, the new development agenda and goals must respect the principle of common but differentiated responsibility, particularly with regard to small island developing States and least developed countries, and should include incentives to encourage countries to develop their own economic plans and mobilize domestic resources. Global dialogue on those issues should also examine the stalled Doha Round and attempts to downplay the need for reform in the global economic system. A new global partnership must focus on market transformation towards sustainability without compromising growth and should encourage countries to become self-reliant in order to achieve their economic objectives. Poverty eradication should also remain at the core of global economic discourse and the development agenda; however, poverty was a multidimensional issue that could not be solved by merely increasing income. Efforts to combat poverty should seek to improve educational opportunities, health facilities and social equity. In that regard, financial inclusion was an important component for sustained economic development. According to a recent report by the Asian Development Bank, 2.7 billion people, or 70 per cent of the adult population in developing countries, did not have access to formal financial services, such as savings or checking accounts, with women disproportionately excluded. For a nation to progress it was essential that the majority of the population was economically productive. Lastly, his Government welcomed the Secretary-General’s initiative, Sustainable Energy for All, as part of efforts to enhance and extend energy services to billions of people around the world. Enhancing access to energy would bring qualitative change to peoples’ lives; the issue should therefore be addressed under the future development agenda.

49. **Ms. Carlsson** (Sweden) said that the global financial and economic crisis would continue to affect the ability of many countries to contribute to efforts to enable poor people to improve their lives. If the international community was to realize the goal of ending poverty, greater efforts must be made under the post-2015 development agenda. Resources were not created by Governments, but by individuals; it was therefore essential to ensure that everyone had the tools and opportunities to prosper. National Governments must take full responsibility for mobilizing resources for development and ensure accountable and transparent governance, accompanied by transparent taxation policies and effective service delivery. International donors should honour and fulfil their ODA commitments, with assistance targeted at poverty eradication and used to mobilize other sources of finance. Prerequisites for sustainable poverty reduction and wealth creation were free and open markets, trade and an enabling environment. The issue of tax avoidance should also be addressed and public-private partnerships should be encouraged.

50. While multilateral development cooperation allowed for the more efficient use of resources, owing to the sheer volume of funds and the ability of the system to mobilize many donors, multilateralism had to be nurtured. Many challenges and opportunities could not be addressed by individual States alone. Yet, even as multilateralism was more vital than ever and even easier to achieve thanks to open markets and new innovations and ideas, Member States were investing less in global political governance within functional multilateral institutions. While it was a challenge to find common ground that all Member States could agree on with regard to development, she was concerned about the ability of the United Nations development system to adopt modern management techniques. It was important to capitalize on the unique features of the Organization, including its global legitimacy, its role as the guardian of global norms and standards and its independent monitoring procedures.

General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system was an important tool for the reform and alignment of United Nations funds and programmes. The international community would have to work together to transform the United Nations into the organization that it needed to be to meet global demands.

51. Although there was now closer cooperation between the United Nations and the World Bank, there were areas were it could be improved by promoting dialogue and cooperation at the national level, including systematic cooperation between United Nations Resident Coordinators and World Bank Country Directors and the synchronization of existing cooperation and dialogue platforms at that level. Both organizations had their roles to play, based on their respective mandates, and any potential overlap must be bridged with specific measures. Gender equality was an example of an issue on which the two organizations could work together more closely, particularly with regard to capacity building for democratic national governance structures and data collection, as gender equality and women's economic and social participation were prerequisites for development. Using the potential of women and girls around the world could go some way towards resolving the financial and economic crisis, and it could improve global governance with regard to the environment, security, rights and development.

52. **Mr. Hosseini** (Islamic Republic of Iran) said that even before the global economic and financial crisis, development financing had been a major issue for developing countries. Over recent decades the focus of core development issues had shifted from economic growth to human and sustainable development, raising the question of the type of financing structure that was compatible with sustainable development. Although inflation rates were generally decreasing, increases in food and energy prices could still destabilize economies, particularly those of poor and low-income countries. A great number of the world's population lived in poverty, particularly in Africa and South Asia, and environmental problems such as deforestation continued to rise. Sustainable development financing efforts should therefore focus on projects to reduce poverty and inequality and that were environmentally friendly.

53. Public financing currently accounted for almost 80 per cent of investment in infrastructure in developing countries. In order for developing countries to maintain sustainable economic growth, their investment in infrastructure would have to increase to $1 trillion a year until 2020. If social welfare and environmental protection programmes were added to that figure, it was clear that the gap between accessible and necessary resources could not be bridged by the public sector, private investors or international development banks alone. A variety of financing models would have to be used, including public-private partnerships. Where financing Government expenditure through bank loans or bonds would have unfavourable consequences on the national economy, public-private partnerships were a safer option. Partnerships would also produce economic productivity and efficiency increases as projects were implemented over a shorter time period.

54. His country had always stressed the importance of social dimensions for development and had focused many of its resources accordingly. As a result there had been significant improvement in the Iranian human development index, from 0.654 in 2000 to 0.742 in 2012. Similarly, inequality had been reduced by national plans to improve revenue distribution in urban and rural areas, higher pensions and the construction of 2.5 million affordable houses for vulnerable people and renovation of rural homes, in an effort to improve the living standards of low and middle-income households. The environmental aspects of sustainable development were also taken very seriously by his Government, which imposed additional taxes on economic activities that polluted the environment.

55. As a result of recent capital market and foreign direct investment legislation, Iran had the capacity to attract international financial resources. However, despite the fact that international financial institutions should treat all member States equally, their political attitudes had led them to stop all lending programmes and project financing in his country. In recent years, a number of Western Governments had imposed sanctions on the basis of unproven allegations regarding nuclear development. While Iran had the right to the peaceful uses of nuclear energy, the sanctions had restricted Iranians' access to medicines and medical equipment and had had a negative impact on its trading partners, particularly energy importing States.

56. **Mr. Catacora** (Plurinational State of Bolivia) said that the capitalist system was undergoing an unprecedented structural crisis, as evidenced by the energy, food, climate, water, financial and macroeconomic crises. Neither States nor international organizations had managed to find a solution to those multiple and interrelated crises. With no solution to the sovereign debt and fiscal problems of Europe and the United States, there was still a risk of countries slipping into recession; yet speculators continued to make huge profits from trading on the commodities and stock markets. The dominant countries and big business, especially financial corporations, wished to continue to assert their privileges, but times of deep crisis demanded bold solutions that would inevitably have to deviate from capitalist orthodoxy. Highly indebted countries in the developed world should restructure their debt in order to prevent further suffering as a result of the lack of growth and spiralling unemployment.

57. Economic policy was dominated by the idea that fiscal consolidation was necessary for stability and growth even in times of crisis, despite empirical evidence to the contrary and the deteriorating living conditions of the unemployed. While developed nations were concerned about prospects for long-term economic stability, the drop in fiscal stimulus in those countries with systemic problems could delay growth and recovery in the short term, surely worsening long-term global prospects. The crisis required creative thinking and imaginative schemes beyond the standard economic models, such as temporary subsidies paid directly to the poor; a temporary financial transactions tax; capital controls; technology transfers to developing countries; real access to the markets of developed countries; and extraordinary taxes on corporations in highly profitable sectors.

58. Many people in the countries affected by the crisis could expect a lower standard of living for many years to come, or even faced poverty, as a result of perennially high unemployment but also of greater disparity in income distribution; corporate profits were rising in developed countries such as the Untied States, while wages for the working classes were very low. On the whole, economic activity was weaker, with greater disparity between regions, and there was likely to be more growth volatility. Unfortunately, developing countries were not immune to the effects of the crisis, as they were dependent on developed countries for the production and export of commodities as markets became increasingly restrictive and narrow. His country was implementing policies to promote industrialization and strengthen domestic demand and food security. The State had taken back control of production, thus reducing national dependence on external demand. Fiscal policy was also key to a more dynamic economy in the long term, with the State as the main engine of the economy; however, preserving fiscal balance should not be to the detriment of social protection systems.

59. Developed countries continued to be concerned with strengthening big banks and the financial system, but failed to consider the need for change in order to prevent a new crisis in the medium or long term. Speculative financial operations were protected on the basis of financial integration and mobilizing resources for growth and production. Commercial banks should be separated from investment banks; speculators should risk their own capital, not that of depositors. Expansionary monetary policies had helped to alleviate the drop in production, but had not resolved the crisis of investor confidence, a problem that would require coordinated fiscal and monetary policies. Similarly, sovereign debt and the risk of indiscriminate tax cuts should also be addressed.

60. The development gap between rich and low-income countries could only be closed by contributions from developed countries, through technology transfers and opening markets to allow the production of goods and services and the construction of necessary infrastructure in a manner that was in harmony with nature. Developing countries could then grow in an environmentally responsible manner, using clean energy, and combat poverty without generating unwanted distortions in production, development and the environment.

61. **Mr. Espat** (Belize) said that as a middle-income, small and vulnerable nation, his country had weathered the storm of the global economic and financial crisis without any extraordinary support from multilateral institutions. Its output growth was estimated at 5.3 per cent of GDP, thanks to a blend of targeted stimulus and pre-emptive debt restructuring. As a result, his country had a unique overview of the multilateral emergency services available to the growing numbers of countries afflicted by high debt and low growth. Unfortunately, the facilities of multilateral financial institutions were shamefully inadequate for small States. Emerging

economies deserved a greater voice in the operation of those institutions and solutions should be tailored to small States. As the United Nations system was based on the principle of the sovereign equality of all Member States, States should have equal opportunities to make use of a broader mix of development financing and debt instruments.

62. The post-2015 development agenda should reward conduct and policies that prized environmental protection and conservation for the good of the planet. Emerging economies would also welcome the issuance of financial instruments by multilateral financial institutions in their own currencies, assistance to develop financial markets for those instruments, access to efficient and affordable liquidity facilities and more equitable management of key macro and international risks. Any reform of the global economic system would have to address the volatility of economic fundamentals of small States, such as GDP, tax revenue, exchange rates and trade. It should also examine debt structures that reduced the exposure of public finances to external shocks and the possibility of indexing debt repayment to small States' exports, commodity prices, development, trade, economic growth rate and even to natural disasters or inescapable economic cycles. Within the global economic system, there should be restrictions to prevent unscrupulous lending to match the limits already placed on borrowers. The current system had rewarded the profligacy of developed countries with massive amounts of bilateral and multilateral money to repay and protect their creditors, while small States, like his country, had been left to restructure their debt unaided and without any direct assistance from multilateral sources. The world had an excellent opportunity to create a new global economic management system and to launch new global initiatives to foster economic management and prevent a new crisis.

63. **Ms. Rebedea** (Observer for Romania) said that one of the most important effects of the global financial crisis on her country had been the substantial reduction in available capital, both for investment and development, affecting efforts to implement the pledges of the multilateral development agenda. With a positive growth forecast for 2013 as a result of increased trade with emerging economies rather than the developed nations, which were still recovering from the effects of the crisis, her Government expected the dynamics of the world economy to evolve. The internal dynamics of the international financial institutions were affected by that new economic paradigm, characterized by sustained growth in the emerging economies, particularly China and other emerging Asian nations; the return to growth for the United States, although vulnerabilities remained and could become more evident in the medium-term; and stagnation in the European Union. It was hoped that the growing role of the large emerging economies would add impetus to the calls for reform of those institutions, based on a more representative model.

64. The financial volatility of recent years had undoubtedly affected the economic development of her country and the European Union as a whole, revealing the need for reform and a review of existing financial infrastructure. Within the European Union, reform efforts had focused on further financial integration and the need to establish a banking surveillance mechanism and a deposit insurance group under the umbrella of a banking union. In Romania, the Government had reacted to the effects of the financial crisis by working to diversify exports towards emerging markets, to identify new revenue sources and to implement reform measures on issues ranging from taxation to Government structure. Those initiatives had helped to stabilize the economy and put the country on the path to short- and medium-term economic growth.

65. **Mr. Bott** (Observer for Cross-Border Finance) said that threats to global economic stability included the slowdown in Chinese economic growth; the deteriorating demographic situation in Japan; the discovery of large shale oil and gas deposits outside the traditionally oil-rich nations; growing income inequalities; and underinvestment in physical and human infrastructure. However, the biggest threat was posed by the eurozone and the systemic problems of monetary union. An unbearable dose of austerity had been imposed on many European countries, accelerating economic and social decline and leading to political, social and economic distress, similar to that experienced by Argentina in the 1990s. While the controlled dismantling of the eurozone would have vast implications for the global economy, failure to act soon would likely lead to an uncontrolled unravelling with unpredictable consequences. It was therefore important that businesses should prepare for all contingencies, on the basis that all assumptions, no matter how politically incorrect, must be addressed. In addition to calculating the likelihood of an adverse event, large

corporations and financial institutions should assess the severity of its impact; the extent to which they would be directly or indirectly affected by each crisis scenario; and how best to protect their assets. Proactive risk management led to effective crisis management; businesses should therefore use those tools to mitigate the impact of any crisis.

66. **Mr. Weisleder** (Observer for Costa Rica) asked what specific policy actions the Bretton Woods institutions, particularly the World Bank and IMF, had taken or intended to take in the short term with regard to climate change, which was possibly the most serious, insidious crisis that humanity was experiencing worldwide, and how those institutions rated coordination with the United Nations on that issue.

67. **Ms. Hanfstängl** (Observer for Bread for the World) said that civil society organizations had entered into a discussion process with Group of 20 Governments and international institutions on the question of making finance work for people and the planet, in an effort to introduce better regulation of the financial markets and to address other systemic problems. The resulting proposals made by civil society included calls for the financial sector to be made smaller and its impact on the economy and society reduced. Large financial institutions should be downsized and simplified to ensure that they were not too big to fail. Similarly, civil society organizations were of the opinion that national resolution funds should be established, financed by the financial industry, to cover losses that could not be absorbed by shareholders. They had also called for all derivatives to be traded in public exchanges and cleared centrally; a ban on particularly risky financial products and dangerous speculative practices; ex-ante position limits to be set; supervision of all actors operating in the financial markets; an end to shadow banking; and innovative financial products to go through a clearance procedure to ensure that they were consumer-friendly and not harmful to the system’s stability. Furthermore, IMF financing conditions and advice should focus less on austerity and more on promoting employment and sustainable development as a means of overcoming deficits. The quota formula used by IMF should be based on a more holistic measurement of development, reflecting economic changes as well as human development criteria, employment, climate and equality, rather than on GDP alone. Measures should be introduced to reform the international monetary system, based on a revamped system of IMF special drawing rights and greater regional and sub-regional mechanisms for monetary cooperation. Governments should also take steps to address and commit to a global dialogue on the issue of sovereign debt. Lastly, the decision of 11 European countries to introduce a financial transaction tax was welcomed; she encouraged other countries to join that initiative, to ensure that the financial sector made a fair and substantial contribution to public finances and to resolving the crisis.

68. **Ms. Samuels** (Observer for Global Clearinghouse for Development Finance),speaking as Vice-Chair of the Business Sector Steering Committee, said that the problems that had led to the adoption of the Monterrey Consensus had become even more challenging and daunting, requiring greater and more effective risk management in both the private and public sector. Despite the fact that the Council on Foreign Relations had examined how development finance institutions could improve their risk mitigation processes in the aftermath of the Asian crisis and that the World Economic Forum had carried out studies in connection with the Financing for Development process, the increasingly globalized nature of economic and financial systems left them more exposed to risk, with even greater repercussions. In order for the public and private sector to work together more effectively a global risk mitigation solution centre should be established as part of the post-2015 agenda, as an independent study by the World Bank of its risk mitigation instruments had shown that they were under-utilized. However, solutions also had to be found and implemented at the national level. It was therefore vital to build capacity by creating national risk mitigation centres that could provide policy advice to both the public and private sector, customizing solutions to their particular risks and opportunities. The Business Sector Steering Committee of the Financing for Development process, of which she was a member, was working on those issues and had created a non-profit organization, the Global Clearinghouse, in that connection, supported by Switzerland, Norway and the Ford Foundation. Discussions on the implementation of concrete solutions to these pressing issues would be welcome.

69. **Mr. Dirar** (Sudan) said that there was an organic relationship between the financial crisis and debt, and

external debt contributed to poverty, especially in the least developed countries. Debt servicing payments were a heavy burden on the economies of developing nations and, although they were given preferential treatment in many economic sectors, they were nonetheless deprived of easy financing as they could not deal directly with regional and international financing institutions. Should those countries continue to be deprived of financing, with only limited access to regional and international financing institutions, the gap would widen further and the rate of growth would fall in poorer countries. Therefore, the Council should organize a conference for creditors to consider ways of settling those debt problems. Poorer countries had been most affected by the international crisis as they did not have protective measures and capabilities in place. Richer and more developed countries, where the financial crisis had started, had the capacity to absorb shocks and to protect themselves. Hence, the post-2015 development agenda should emphasize the needs of least developed countries, to ensure that they would not be adversely affected by the repercussions of the international financial crisis.

70. **Mr. Greene** (Observer for International Chamber of Commerce, the International Organization of Employers and the Business and Industry Advisory Committee to the OECD) said that the term “global crisis” had been used consistently, but it should be recognized that the economies of many countries were not in crisis. Economic growth and development varied widely from country to country. Recent data had shown that the convergence between developed countries and many of the developing and emerging economies was taking place at a faster rate than at any time since the post-World War II period. The debate should also focus on the priorities outlined in the Monterrey Consensus, which had been largely overlooked. Its main priority was to promote sustained domestic economic growth, followed by openness to foreign investment and trade, then ODA and debt issues. It seemed from the discussions taking place within the Council that those priorities had been reversed. The business community considered that there was a vast potential for growth within countries, based on the local population and resources. Foreign investment would only be forthcoming once an opportunity already existed. The domestic economy therefore had to create those opportunities and the growth that would attract foreign investment. Thus, a favourable operating environment for domestic growth had to be created. All investment, whether domestic or foreign, and international trade needed the same favourable operating environment, based on the rule of law, independent courts, clear property rights, and a well-functioning, well-regulated economy. Business did not flee from regulation; rather it looked for smart regulation. It was that smart regulation that would attract both domestic and foreign investment.

71. **Mr. Egerton** (World Meteorological Organization) said, in reply to the questions from Costa Rica and others, that climate change was the most significant economic and social threat to the global community. It was critical for the global community to invest in mitigation and adaptation measures to cope with the extreme weather events that would impact the planet over the coming years. Climate change was impeding development in countries around the world, especially the most vulnerable. In accordance with the action plan on climate change, 2014 would be an important year for attaining the financial commitments needed and mobilizing the political will to develop a legally-binding agreement to succeed the Kyoto Protocol. The World Meteorological Organization (WMO) and the United Nations Framework Convention on Climate Change were working together to encourage all partners and Member States to commit to that financing.

72. The impact of extreme weather events, disasters, and desertification should be mainstreamed into sustainable development financing, as should the nexus between climate change, food security and energy requirements, given that they would have some of the biggest financial consequences on the global community in coming years. He called on the international financial institutions and Member States to come together to address those issues particularly in the light of the post-2015 development agenda.

Keynote address by the Special Envoy and Representative on Millennium Development Goals and Financial Development, World Bank Group

73. **Mr. Mohieldin** (Special Envoy and Representative on Millennium Development Goals and Financial Development, World Bank Group) said that, in the context of the post-2015 development agenda, the following pillars were emerging: a new spirit of partnership; equity and inclusion; the environment and climate change; good governance; matters related to peace, human rights and human security. The World

Bank goal of ending poverty by 2030 had been announced recently. Shared prosperity was another of its goals. There were specific policies to address inequality based on gender, region and other factors.

74. A new phase of collaboration had begun between the United Nations, the World Bank, all of the regional development banks and the Islamic Development Bank, to enhance countries' statistical capacity and make all necessary development data and evidence available to policymakers, civil society, researchers and other stakeholders.

75. The main sources of development finance were Government and domestic resources, including the domestic private sector linked to financial development, the international financial sources, emerging development actors, including private aid sources, and ODA, whose role had now changed. Development priorities and financing would be synchronized, which had not been the case with the Millennium Development Goals.

76. Unfortunately, many low-income and middle-income countries were not realizing the expected benefits from reform of their tax systems. With regard to public spending, subsidies that were greater than education and health expenditures were unjust. Financial inclusion left much to be desired.

77. Even before the recent decline of ODA in real terms, it had accounted for merely 1 per cent of total capital flows. ODA grants nonetheless played an important role in low-income, fragile and post-conflict countries as a source of long-term finance. Through leveraging and partnerships, a dollar from ODA was often matched by seven, eight or even nine dollars from other sources.

Statement by Mr. Mukhtar Tileuberdi, President of the Trade and Development Board, United Nations Conference on Trade and Development

78. **Mr. Tileuberdi** (President of the Trade and Development Board, United Nations Conference on Trade and Development (UNCTAD)) said that UNCTAD-XIII, which had taken place in Doha in April 2012, had addressed the need for inclusive, sustainable development-centred globalization. Trade, a vital force for development and empowerment of the marginalized, had been a topic of serious discussion there. UNCTAD had been at the forefront of the effort to ensure that trade would contribute to development and had stated clearly that trade should not be viewed as an end in itself. That was particularly important given the frustratingly slow pace in the Doha Development Round.

79. The recent economic crisis had made it apparent that the international economic architecture lacked coherence and consistency. Having evolved largely on its own, the system lacked the public good component at the core of the multilateral process. The financial sector had therefore been the setting for actions which had led to the crisis. The reform of global economic governance did not require repudiation of the current system, but mechanisms enabling the timely, impartial and transparent resolution of debt problems were needed. International norms and principles for responsible sovereign lending and borrowing would be a first step towards crisis prevention.

80. A new approach to building productive capacities recognized the need to factor in the issue of developing countries' economic integration. To achieve that, technological innovation was required. Government interventions in education, science and technology, investment and other areas required an innovation policy component.

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

81. **Mr. Familiar Calderón** (Vice President and Corporate Secretary, World Bank Group), reporting on the recent meeting of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, also known as the Development Committee, said that the Ministers had ratified the goal of the World Bank Group, a world free of poverty, endorsed two goals that would guide the activities of the World Bank Group in the near future and welcomed the upcoming unified World Bank Group strategy.

82. The Committee had welcomed the five building blocks underpinning the strategy: to serve poor and vulnerable people in a sustainable manner everywhere; recognizing the diversity of clients; working as one World Bank Group; focusing on development solutions; and exercising dynamic selectivity. Ministers had also welcomed the ongoing reform initiatives and the incorporation of the science of delivery and

evidence-based approaches and stressed that the strategy should help the World Bank Group maximize its impact, be more selective and ensure its financial sustainability.

83. The Development Committee had noted that sustained economic growth in developing countries over the past decade had resulted in the achievement of the first Millennium Development Goal of halving extreme poverty by 2015, well ahead of schedule. The Development Committee had endorsed the World Bank Group goal of ending extreme poverty within a generation and described as ambitious but achievable the corresponding global target of reducing to 3 per cent by 2030 the number of people living on less than $1.25 a day. Ministers had stressed that meeting that goal would require strong growth across the developing world and the translation of growth into poverty reduction to an extent not previously seen in many low-income countries. It would also require overcoming institutional and governance challenges and investing in infrastructure and agricultural productivity.

84. The Development Committee had also endorsed the World Bank Group goal of promoting shared prosperity, which would entail fostering the income growth of the bottom 40 per cent of the population in every country. The Ministers had recognized that sustained economic growth required a reduction in inequality.

85. Climate change deserved special attention in the context of ending extreme poverty and promoting shared prosperity. The Development Committee had recognized that the International Development Association (IDA) was of critical importance to the World Bank Group's mission and called for a robust IDA17 replenishment with strong participation from all members.

86. The Committee had welcomed the contribution of the private sector to growth and job creation and recognized that private investment flows were key to achievement of the goals of the World Bank Group. With a proper enabling environment, adequate infrastructure and policies that promoted competition, entrepreneurship and job creation, the private sector could support shared prosperity and offer opportunities to all, especially women and young adults. Ministers had expressed strong support for the mandate of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency.

Statement by Ms. Patricia Alonso-Gamo, Deputy Secretary, International Monetary Fund (IMF), and Acting Secretary, International Monetary and Financial Committee (IMFC)

87. **Ms. Alonso-Gamo** (Deputy Secretary, International Monetary Fund and International Monetary and Financial Committee) said that while the global economy had improved, risks remained. Prospects might be diverging for different groups of countries. Thanks to policymakers' actions, the situation looked better than it had six months earlier, but global growth in 2013 would probably not be much higher than in 2012. Many developing countries and emerging markets were posting high growth rates, and in the United States of America, private demand was gradually reviving, but economic recovery was elusive in the eurozone. Japan faced deflationary risk, but a stimulus-driven rebound was expected.

88. In many countries, improvements in financial markets had not translated into improvements in the real economy or in peoples' lives. Policies were needed to address the consequences of the crisis and prevent its recurrence. Underlying weaknesses must be addressed. The Fund would propose policies that both supported growth and reduced fiscal, financial and private balance sheet risk. Financial assistance would continue, and efforts to raise funds from members to establish a self-sustained poverty reduction and growth trust for low-income members would be stepped up. Capacity-building would focus on strengthening policy frameworks, financial sector oversight and capital market deepening, with special attention to small States.

89. Medium-term structural challenges must be addressed, including addressing high deficits and debt; creating jobs and sustaining inclusive growth; and tackling global imbalance and spillovers. Financial sector reform must be completed to limit uncertainty and financial fragmentation. In the context of public and private debt, durable fiscal adjustment and institutional reform were important. The Fund would continue to assist countries to identify risks to fiscal sustainability, using new tools for debt sustainability. It would support the design of effective medium-term debt management strategies and the strengthening of debt management institutions.

90. For some countries, addressing a huge increase in unemployment since the onset of the crisis was a priority. Other countries must deal with demographic trends, such as an aging population or large increases in working-age populations. The Fund would provide more tailored and systematic analyses of growth and employment challenges in member countries.

91. There was increased concern about currency devaluation and competitive depreciations. Exceptionally accommodative policies in key advanced economies could have side effects for exchange rates and capital flows. Unconventional monetary policy could reduce underlying volatility. However, if more fundamental reforms were delayed, that could prolong financial uncertainties and put pressure on other economies. Large surplus economies should continue to raise consumption or investment, while major deficit countries should boost national savings through fiscal and structural reforms.

92. There had been progress in implementing the 2010 Fund quota and governance reforms. Quota shares would be shifted to dynamic emerging markets and developing countries, and a fully elected Executive Board would be introduced. For the reforms to become effective, they must receive the support of a certain number of countries with the necessary voting power.

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

93. **Mr. Priyardashi** (Director, Trade and Development Division, World Trade Organization (WTO)) said that while an agreement in the Doha Development Round was still remote, great advances had been made. The proposals currently on the table would result in a much richer and deeper agreement than would previously have been possible.

94. The latest WTO projections for world trade and output for 2013 did not provide grounds for optimism. It was estimated that trade would grow by 3.3 per cent in 2013, which, while an improvement, was far short of the 5 per cent average of the past two decades. On a more positive note, protectionism had been largely avoided, and the benefits of previous trade liberalization had been preserved, thanks to monitoring established by WTO and other bodies.

95. Despite the Doha Round impasse, some deals could be reached at the Bali WTO Ministerial Conference set for late 2013. An agreement on trade facilitation that reduced border delays, red tape and transit expenses associated with international trade would be no minor achievement, as the cost of moving goods around the world was some $1.8 trillion annually. Reducing those trading costs by even 10 per cent would yield disproportionate benefits to developing countries.

96. An agriculture deal could also be reached to ensure that existing import quotas were not left unmet owing to bureaucratic rather than commercial reasons. There was also a proposal on farm subsidies, to better accommodate food stock accumulation and the urgent need to phase out agricultural export subsidies. A concrete development component in the Doha Round was needed, so that gains would reach the countries most in need. A specific package for least developed countries would also be beneficial.

97. The fourth Global Review of Aid for Trade would be held in July. The Aid for Trade Initiative had received a strong response up until 2011, but preliminary figures indicated that commitments had dropped after that.

98. Trade had played an important role in increasing domestic revenue. Economic growth must, therefore, be a central pillar of any development agenda beyond 2015.

The meeting rose at 1.10 p.m.