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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 7th meeting
Held at Headquarters, New York, on Monday, 22 April 2013, at 3 p.m.

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

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The meeting was called to order at 3.10 p.m.

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

Thematic debate of the whole on Theme 2: Financing for sustainable development, including through leveraging private capital in the context of the follow-up to the outcome of the United Nations Conference on Sustainable Development held in Rio de Janeiro, Brazil, from 20 to 22 June 2012 (E/2012/52)

(a) *Presentation by Ms. Shamshad Akhtar, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs*

1. **Ms. Akhtar** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs (DESA)) said that addressing financing for sustainable development was a matter of urgency for the post-2015 development agenda, particularly as the problems facing the public sector's ability to mobilize funding for development, resulting from the global financial crisis, could persist. Moreover, official assistance flows had barely reached half of the commitment level of 0.7 per cent of gross national income (GNI) in official development assistance (ODA) and, although South-South flows held promise, thus far countries with resources had provided bilateral support, rather than joining global partnerships for a multilateral development agenda. It was therefore necessary to take a different approach to the sustainable financing strategy.

2. The main priority should be to unleash the potential of the private sector, as foreign direct investment would continue to play a critical role in offering the required risk capital and in introducing innovation and technology. Promotion of an inclusive financing strategy, which integrated economic, social and environmental sustainability, would require investments in multiple areas in both developing and developed countries. While it was important to focus on tax-to-gross domestic product (GDP) ratios, tax havens and illicit flows, the size of the investment requirements meant that more emphasis should be placed on private flows for development purposes; the prerequisites would be a stable financial system and an enabling policy environment in order to allocate resources effectively and efficiently.

3. Referring to the note by the Secretary-General on coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda (E/2013/52), she noted that financing gaps were especially large in economic areas that the private sector had not found attractive on a risk-reward basis. While there was an ever-increasing need for long-term financing, the long time frame necessary for most infrastructure investments was outside the investment parameters of many investors, as a result, inter alia, of financial market incentives and regulations.

4. Similarly, the report on long-term investment financing for growth and development for the Group of 20, to which various United Nations agencies had contributed, noted that the availability of long-term financing had declined since the 2008 financial crisis. A policy-driven rebalancing of risk appetite and acceptable returns in the interest of safeguarding the global financial system had led to regulatory changes, which in turn had led banks and traditional investors to deleverage, opening the risky investments market to unconventional stakeholders. Bank lending had been the dominant form of financing long-term investment in infrastructure, despite the asset-liability mismatch of short term bank deposits vis-à-vis long-term capital requirements for infrastructure. In emerging market economies, the relatively undeveloped corporate bond and securitization markets had been unable to tap the capital markets in order to meet their requirements. Banks were responding to higher capital and liquidity requirements by increasing their lending rates, trimming risky assets and being more selective in their investments. The reforms of the Basel Committee on Banking Supervision would probably affect further the willingness of many banks to finance projects by applying a high risk weighting to long-term loans, however well structured. Similarly, the requirement for insurers to hold assets to cover the duration of their liabilities (Solvency II) could lead insurers to invest in shorter-term projects. The resulting deleveraging of the banking system and a reduction in credit, particularly by European banks, had left a huge gap in infrastructure financing and impacted longer-term lending around the world. Non-bank financing for infrastructure was now emerging as the new imperative.

5. The Secretary-General's note also outlined the issues of long-term investment horizons with regard to

traditional infrastructure investments and low-carbon infrastructure projects, the insufficient financing for innovation and emerging technologies and the ongoing constraints on credit for small and medium-sized enterprises, which in many countries were the main drivers of innovation, employment and growth. Both private and public financing, as well as public sector policies and international cooperation, would be necessary to finance those large, growing and diverse needs. A fundamental challenge would be to ensure complementarities across those different sources of finance, as each type had unique investment objectives, fiduciary responsibilities and associated incentives. Those differences needed to be better understood in order to design policies that could effectively leverage private financing with public resources and align private sector incentives with public goals. Although there were small (and growing) pockets of socially conscious investors, most private capital would remain driven by the profit motive. As a result, the private sector would continue to underinvest in the public good. Public sector policies would need to be designed to leverage private finance through risk-sharing mechanisms.

6. While private financing was increasingly important, the role of domestic financing and resource mobilization should not be downplayed. Steps should also be taken to ensure that ODA did not decrease further, as it was important to use that assistance to leverage private investments. The United Nations System Task Team on the Post-2015 United Nations Development Agenda, comprising 60 United Nations agencies and the Bretton Woods institutions, would be supporting the work of the intergovernmental committee on sustainable development financing once it was established.

(b) Presentation by Mr. James Zhan, Director, Division on Investment and Enterprise, United Nations Conference on Trade and Development

7. **Mr. Zhan** (Director, Division on Investment and Enterprise, United Nations Conference on Trade and Development (UNCTAD)) said that policies needed to be introduced in order to encourage foreign direct investment, by seeking to mainstream sustainable development in investment policy, promote investment for inclusive growth, promote responsible investment and channel investment into green growth and infrastructure development.

8. The latest trends revealed that global foreign direct investment flows had declined by 18 per cent in 2012, to an estimated $1.3 trillion, contrary to other macroeconomic indicators, such as global GDP growth, gross fixed capital formation and trade, which were all positive. That decline was the result of economic fragility, caused by a weak macroeconomic environment, and policy uncertainty for investors. Despite signs of a recovery in global foreign direct investment in 2010 and 2011, flows were only expected to increase moderately, reaching an estimated $1.6 trillion in 2014 owing to improvements in macroeconomic conditions and the reprofiling of transnational cooperation, including replenishment of capital stock. However, that prediction was far from certain, given the structural weaknesses in major developing economies and the global financial system, and the policy uncertainties in areas crucial to investor confidence. Transnational corporations from major developing countries had adopted a “wait and see” attitude, sitting on record-level cash reserves rather than investing. There was therefore no sign of a significant recovery in foreign direct investment.

9. Nevertheless, the investment landscape had changed; developing countries and transitional economies accounted for some 50 per cent of global investment inflows in 2012, while developing countries’ transnational corporations accounted for up to 30 per cent of global foreign direct investment outflows. Moreover, in 2012, for the first time developing countries had attracted $130 billion in investments, more than developed countries as a whole. Transnational corporations continued to act as an important engine for growth in the global economy as their average growth exceeded that of the world’s top national firms. The 80,000 transnational corporations and their 900,000 affiliates worldwide could and should make some important contributions to sustainable development and inclusive growth.

10. National and international investment policies lacked a sustainable development dimension; multilateral monetary and trading systems were in place, but not a multilateral investment system. The current international investment regime consisted of 3,200 bilateral, regional, subregional and interregional investment treaties. That multilayered, multifaceted and highly atomized approach was full of gaps, overlaps and inconsistencies. Moreover, those investment treaties contained very few provisions for

sustainable development or for investment in the key sectors conducive to sustainable development and inclusive growth. In the light of the global financial crisis and the shift in the development paradigm, many countries were reviewing and revising their national and international investment regimes. The United Nations Conference on Trade and Development (UNCTAD) had therefore formulated a sustainable development policy framework as guidelines for States.

11. Another priority was to channel investment into poor areas in order to produce affordable and accessible goods and services for poorer members of society and to build national productive capacity by creating business links with domestic firms. To that end, UNCTAD was working with the International Chamber of Commerce in an effort to change the business mentality; rather than simply looking at the size and growth rate of the market, investment in the poor and in sustainable development should be taken into account. Similarly, in an effort to promote responsible investment for sustainable development, policies needed to be introduced that could tap into the huge pool of privately held financial assets, through stock exchanges for example. A number of United Nations agencies had worked together to promote sustainable stock exchanges and had reached out to over 10,000 listed companies.

12. Possible future funding sources included impact investing and sovereign wealth funds, which currently accounted for less than 1 per cent of global foreign direct investments. However, policies had to be in place to ensure that investment growth in those areas was channelled to sustainable development. Lastly, sustainable development goals should include a target for international investment. A feasibility study carried out by UNCTAD had shown that investment in poor and vulnerable economies could be quadrupled.

(c) Presentation by Mr. Chris Lane, Division Chief for Low Income Countries, Strategy, Policy and Review Department, International Monetary Fund

13. **Mr. Lane** (Division Chief for Low Income Countries, Strategy, Policy and Review Department, International Monetary Fund (IMF)), accompanying his statement with a digital slide presentation, said that progress was being made towards a self-sustaining financing model for International Monetary Fund (IMF) concessional lending, which it was hoped would be used well beyond 2015. IMF loans were intended to help countries to address balance of payment problems resulting from external shocks or domestic shocks and vulnerability, and were tailored to provide emergency support or to meet short-, medium- or long-term needs. Since the beginning of the global financial crisis, exceptional interest rate relief had been introduced, which had recently been extended until 2014, and lending had increased to help countries deal with the effects of the crisis: $24 billion had been lent to low income countries at concessional rates, of which $5.1 billion of special drawing rights had been forgiven. That IMF debt relief, accompanied by strong growth and debt relief offered by other partners, including the World Bank and multilateral development banks, had reduced debt levels by half over the past decade. Lower debt levels meant lower debt service, which had created fiscal space and thus enabled countries to boost their poverty reduction expenditures. It was expected that IMF lending would be reduced from current elevated levels over the next few decades, once the global economy normalized; however, should more turbulent conditions persist, demand from low income countries could remain at similar if not higher levels. Those projections also assumed that a number of countries, as they became richer and less vulnerable, would move away from concessional assistance, meaning a larger amount of financing would be available for a smaller number of countries.

14. In September 2012, a three-pillar strategy had been submitted to the IMF Board that provided for a trust fund to be established to meet a plausible range of future demands. The strategy required that sufficient financing should be generated for lending over the next 20 years; however, as demand would fluctuate significantly, contingent measures must be put in place so that elevated demand could be met. The strategy also required that facilities should not be changed in a way that would undermine those first two points. In an effort to create an internal fund to meet operating expenses, the IMF had recently sold gold reserves, producing some excess profits which it was hoped would be used to subsidize lending to low-income countries and allow a self-sustaining financing strategy to be established for lower income countries and highly vulnerable IMF members. A recent review of IMF facilities for low-income countries, which had been reformed significantly in 2009 to better meet the needs of the membership, had found that they were working well, with demand within the expected range. Minor but significant refinements had been proposed,

including focusing resources on the poorest and most vulnerable countries and removing some of the procedural difficulties from the operation of IMF facilities.

15. Another IMF policy was to “graduate” countries into different categories once their incomes rose above a certain level or they gained access to market financing, in an effort to ensure that remaining resources were focused on the lower-income countries. Six countries had been graduated in 2010 and a few more in the recently concluded review. However, small and very small States had significantly higher external vulnerabilities than normal low-income countries. As a result, new provisions had been created for very small or microstates and three microstates had been added to the list of countries eligible for concessional borrowing. The IMF also gave policy advice to all of its membership. With regard to low income members, it sought to focus that advice on areas that would help national authorities to deliver goals, including how to scale up investment while maintaining macroeconomic stability, manage natural resource revenues, avoid the boom and bust cycles of the past and promote inclusive growth. While its competencies were quite narrowly defined in terms of developing the financial sector and inclusive finance, IMF had an ongoing programme of work on diversification and structural transformation and the impact on growth and jobs. A considerable amount of time was spent helping States in fragile situations and small and microstates to meet their own particular and pressing needs.

Interactive dialogue

16. **The President** drew attention to the questions for discussion contained in chapter II of the note by the Secretary-General on coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda (E/2013/52).

17. **Ms. Miranda** (Observer for Peru) said that her delegation was concerned by the assertive references made to the issue of global commons in the Secretary-General’s note, in particular in the section on financing needs and challenges, which stated that global commons included the atmosphere, oceans, biodiversity and forests, particularly as the issue was not included on the post-2015 development agenda. It should be recalled that the basis for the Convention on Biological Diversity was that States had sovereign rights over their own biological resources. The principle of common but differentiated responsibilities should also be borne in mind. While the note mentioned the areas where support was needed with regard to financing for sustainable development, it was important to avoid generalizations that could lead to misconceptions or errors. Global commons could also have implications for trade and might divert attention from the issue of eradicating poverty and inequality as sustainable development objectives. It should also be remembered that there were other obligations and commitments, in addition to ODA, that must be implemented and included in financing for sustainable development. The issue of global commons could of course be discussed, but it should not be referred to as if it was already part of the agenda or as if there was international consensus on the matter.

18. **Mr. Wittig** (Observer for Germany) said that his Government considered that one integrated approach to sustainable development financing was needed and that it was imperative that it should build on the existing mechanism; just as the sustainable development goals and post-millennium development goals had to be combined into a single reference system, so the financing agendas should converge into one. The Monterrey Consensus and the Doha Declaration were the guiding documents on which financing for sustainable development should be built, although it should evolve to address financial issues flowing from other relevant United Nations processes. Such an approach was needed to ensure the most efficient use of available financial resources and should be overseen by the intergovernmental committee on sustainable development financing.

19. Financing for sustainable development should give the same prominence to both national and external development finance. While States were responsible for their own development, ODA and grants were still crucial for less developed and fragile States and public funds served as a very important catalyst for mobilizing and leveraging private capital for sustainable development. All those resources would be critical to achieving the anticipated post-2015 goals on poverty eradication and global commons. Lastly, a new reporting and monitoring system for external financing for development was needed, as the current one continued to focus on official, concessional flows, which were steadily declining in relative importance as a source of financing for development. Reporting

should be based on an open dialogue between all relevant stakeholders. The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) had already taken up the challenge for a new post-2015 reporting system, which should be linked to those of the United Nations and the global partnership.

20. **Mr. James** (Alternate Executive Director for the United Kingdom, World Bank) said that the World Bank had established the Asset Management Company, a subsidiary of the International Finance Corporation (IFC), in response to the global financial crisis, as a means to harness non-traditional sources of investment from sovereign wealth funds, long-term insurance funds and other private sources to invest in countries and regions where there was not a great deal of private sector expertise. The Company managed the IFC Capitalization Fund that invested in commercial banks, particularly in Eastern Europe and Asia, and an infrastructure fund for Africa and Latin America. Similarly, the IFC Climate Catalyst Fund invested in projects and sought to encourage the development and seeding of funds, in order to create a private equity capacity that had not previously existed. Those funds helped to raise money for projects with development or climate- friendly outcomes and demonstrated to the private sector that those investments were viable, thus building private investment capacity.

21. There were also arguments for concessional funding and leveraging public financing to encourage private investment. While that essentially meant that the public sector was taking on more of the risk, if steps were taken to ensure that taxpayers’ money was not being used to take risks that the private sector could very well take itself and was not essentially being used to subsidize businesses’ profits, such partnerships could play a role in financing development- or climate-related projects.

22. **Ms. Dunlop** (Brazil) said that the outcome document of the recent Rio Conference had reaffirmed the commitment of the international community to the eradication of poverty and sustainable development and called for the mainstreaming of sustainable development across the development agenda. Ending poverty was a moral obligation and sustainable development actions were more relevant than ever before as current patterns of production and consumption were unsustainable. The new development paradigm should include a renewed economic model that combined the three pillars of sustained economic growth, social inclusiveness and environmental sustainability. The United Nations, together with the IMF, the World Bank, the World Trade Organization (WTO), UNCTAD and the Group of 20, needed to come up with an improved coordination framework, as the current fragmented and excessively vertical financing mechanisms could not offer the responses needed for an integrated development agenda based on those three pillars. The proposed intergovernmental committee on sustainable development financing could make an important contribution in that regard.

23. Efforts to end poverty would require increased levels of ODA and loans on concessional terms rather than private investment; unfortunately, existing financial commitments of ODA were far from being fulfilled. Steps to foster sustainable development, on the other hand, allowed for more diverse funding schemes, including a more prominent role for the private sector. However, financial mechanisms such as the Clean Development Mechanism and the Climate Investment Funds remained underfunded. While it was recognized that development was primarily a national responsibility, international support was crucial to attain all the internationally agreed development goals and to mainstream sustainability in all development related efforts.

24. **Ms. Denizkurdu** (Observer for Citigroup) said that the core mission of Citigroup was to finance world trade, enhance global capital flows and enable companies to expand and create jobs; that mission included extending financial inclusion to underserved communities and institutions other than banks. In addressing major development challenges, including climate change, it had helped to create the Equator Principles in 2003, which were the gold standard for environmental and social risk management, and in 2007, it had set a goal of directing $50 billion over 10 years to activities that would mitigate climate change. By the end of 2012, $44 billion had already been dedicated to such initiatives and Citigroup had recently underwritten, in conjunction with two other global banks, the largest ever green bond for the International Finance Corporation.

25. As part of Citigroup’s commitment to develop and deliver innovative market-based solutions to tackle the challenges facing developing countries, it combined expertise in the environmental markets with

its track record in microfinance to deliver tangible, positive outcomes for local communities, as illustrated by the purchase of some 1 million tons of carbon credits over the next seven years. Structured through Citi Microfinance and a Mongolian microfinance bank, the project had resulted in the installation of more efficient domestic insulation and cooking stoves in over 100,000 Mongolian households. In future, the increased use of public-private partnerships would be essential to the extension of sustainable development across economic and social activities. To that end, appropriate legal and regulatory frameworks would have to be established and policies and practices introduced to offer investment incentives while controlling risks. While the private sector would continue to be the major source of capital for sustainable development, public resources could play a supporting role by offering risk-reward profiles that would allow financial institutions to fulfil their duty to their shareholders. International legal and regulatory reforms could affect the financing levels and distribution provided by the financial system for sustainable development, such as requiring banks to hold more equity on their balance sheets against higher risk lending. That could, in turn, raise the cost and reduce the availability of long-term financing, especially in countries with sub-investment grade credit ratings. To that end, some in the finance community wished to encourage international bodies to consider options and solutions that would protect the availability of such financing.

26. **Ms. Lu** Mei (China) said that financing for sustainable development should be based on previous agreements, such as the Doha Declaration. The international community should mobilize all public funding and take steps to encourage global economic growth in order to create more job opportunities and to fulfil ODA commitments, which should be at the core of international cooperation. In that connection, South-South cooperation should be seen as a complement to North-South assistance. In order to strengthen global economic governance, the international community should create a better external environment to allow developing countries to identify financing, by accelerating reform of the international financial system to eradicate protectionism and create a fairer system that would give developing countries greater market access. The outcome document of the Rio conference had laid down the framework for an intergovernmental committee on sustainable development financing. The United Nations, the Bretton Woods institutions and other international organizations must formulate an effective financing strategy and continue to coordinate and implement it based on developing countries' funding needs.

27. **Ms. Friedlander** (Observer for International Women's Anthropology Conference) said that the interconnected nature of the world economy was well known; yet, as national economies fell victim one by one to austerity policies, with profound implications for peoples' lives worldwide, proposals continued to be made that could only exacerbate the problem. The ravages of economic austerity could be seen on the social and cultural fabric of grass-roots rural communities and in urban centres. Often considered the drivers of economic development, cities had been profoundly affected by unemployment, homelessness, food deserts, disease and inadequate education and health resources. That situation existed not only in least developed and developing countries, but also in developed countries, with devastating effects on the most vulnerable populations, prompting the question what development model the international community was striving for.

28. As a result of the discussions on the post-2015 development agenda and the sustainable development goals, there was growing recognition of the need to take a holistic approach, to examine the interconnections and understand the complex processes and mechanisms at the heart of the economic, environmental, social and cultural crises. While the outcome document of the Rio Conference encouraged private investment to stimulate economic growth and development, experience had shown that the resources required for long-term and stable investment were beyond the capabilities of individual private and corporate investment, and often only served to enrich investors, thus increasing socio-economic inequality. Investment in infrastructure and provision of adequate food, housing and the creation of gainful employment should not be dependent on investment for individual gain.

29. **Mr. Poulsen** (Observer for the European Union) said that it was undeniable that, despite increases in global aid commitments and good progress in implementing the aid effectiveness agenda, ODA alone could not achieve the Millennium Development Goals and address other critical development challenges. Yet, while ODA remained crucial in providing a predictable

flow of aid to the world's poorest, other sources of public and private finance, including foreign direct investment, remittances and private flows, were becoming increasingly significant. Innovative financing mechanisms also had great potential to raise more stable and predictable resources for development as a complement to ODA. As the world's largest collective donor, accounting for more than 50 per cent of global ODA, the European Union and its member States would reaffirm their commitment to implementing the Rio Conference outcomes through a range of overarching policies through the European strategy for smart, inclusive and sustainable growth, Europe 2020, which promoted and supported transition to an inclusive, green economy. The mobilization of all resources, domestic and international, private and public, would be vital for the successful development and implementation of a post-2015 agenda. Discussions on the mode of implementation needed to be intensified and, in that connection, the intergovernmental committee on sustainable development financing should be established as soon as possible.

30. **Mr. Raineri** (Alternate Executive Director for Chile, World Bank) said that the World Bank Group was working to end poverty, share prosperity and foster sustainable and inclusive economic growth, but the prolonged international economic crisis was a major obstacle to those efforts. As the main engines of economic growth and job creation, the private sector and private investment should not be overlooked in efforts to end poverty and bring about sustainable development. However, investments would only be made if an enabling business environment was in place, based on sound economic policies and an appropriate commitment from national governments to guarantee risks. The World Bank Group was committed to private sector development in the poorest countries, with increasingly important roles being played by the International Finance Corporation and the Multilateral Investment Guarantee Agency.

31. In order to restore long-term sustainable economic growth and recover from the global financial crisis, productivity would have to be improved. It was therefore necessary to ensure that proper institutions and market operation mechanisms were in place, thus enabling innovation and entrepreneurship. In that connection the Doing Business report, published by the World Bank, was a valuable policy guide, helping countries to identify problems and to improve the investment climate. A recent World Bank study had shown a sharp decline in poverty levels in Latin America and the growth of the middle class over the last decade. While the success of some countries was the result of the price boom of natural resources, others owed it to institutional reforms that had produced long-term sustainable growth.

32. **Ms. Mohamadieh** (Observer for Arab NGO Network for Development) said that while the adequate mobilization and freeing up of domestic resources was essential for future financing for development, there was also a need for new, additional time-bound resources. Millennium Development Goal 8, to develop a global partnership for development, had underlined the importance of revising international systems for aid finance and knowledge sharing and of the need to support and not obstruct the implementation of development goals; it was unfortunate, however, that the goal was ill-conceived. The discussions on financing for development and collective responsibility at the international level should focus on enabling a supportive environment by addressing developing countries' debt problems and the sovereign debt restructuring mechanism. It was also important to safeguard the national policy space that allowed developing countries to use different tools, such as trade and investment, to support industrialization and sustainable agriculture.

33. In order to leverage private capital for sustainable development projects, well-designed, active investment policies needed to be adopted, to allow technology transfers and links to be built between foreign investment and national productive economies and the national private sector. That would require an enabling legal framework for investment and a revised global investment regime, striking a balance between investors' rights and responsibilities and the right of governments to regulate. Lastly, stakeholders needed to address the trend towards short-term investment rather than longer term, productive foreign investments in developing countries, which had led to greater uncertainty and risk.

34. **Mr. Gyan** (Observer for Africa Development Interchange Network) said that as a member of the NGO Committee on Financing for Development, his organization had welcomed the fact that the financing for development process allowed for multi-stakeholders. However, while efforts were being made

to allow a variety of stakeholders to participate in the process, there were many obstacles. There was a tendency to reduce the discussion around financing for development to business financing, but his organization was of the view that more should be done to harness social capital, to engage societies and to address their problems. While efforts were being made to mainstream sustainable development within business, investments continued to be made on a voluntary basis. It was a matter of concern if, in an attempt to identify innovative resources, States turned to the private sector alone, where the priority was to make a return on an investment. His organization urged institutions to invest in civil society; socially conscious citizens, engaged in the process, could help to change the status quo.

35. **Mr. Hermida Castillo** (Nicaragua), echoing the statements made by the representatives of Peru, Brazil and China, said that his delegation was particularly concerned by the differentiated obligations of developed countries to support development and eradicate poverty in developing countries and the predominant role that private enterprise should play in achieving sustainable development. One of the greatest obstacles to achieving the Millennium Development Goals had been the developed countries' lack of political will to fulfil their obligations. The same problem existed with regard to climate change, which had resulted in a "green fund" without funds. Developed countries must fulfil their acquired obligations in order for international goals to be achieved, particularly sustainable development goals. To that end it was essential that the intergovernmental committee on sustainable development financing should be set up as soon as possible.

Thematic debate of the whole on theme 3: "Global partnership for development in the context of the post-2015 development agenda"

(a) Presentation by Mr. Jos Verbeek, Lead Economist, World Bank

36. **Mr. Verbeek** (Lead Economist, World Bank), presenting the Global Monitoring Report 2013 with the aid of a computerized slide presentation, said that for 2013, the team had been asked to look at issues that could not only assist in the attainment of the current Goals, but could also provide lessons for the post-2015 development framework. The thematic analysis had thus focused on differences in attainment of the Goals across rural and urban space and discussed the role of urbanization given that some 96 per cent of the population in the developing world — projected to increase by 1.4 billion by 2030 — would live in urban areas. As in previous years, the report examined whether the macroeconomic environment was conducive to attaining the Goals. While the findings substantiated that conjecture, certain issues warranted monitoring. Projected average growth in developing countries until 2015 was approximately 5.7 per cent, somewhat lower than the 2012 projections but close to five times the expected growth in the developed world.

37. The 2013 Report explored the extent to which differences in the degree of agglomeration across countries could provide insight into differences in macroeconomic outcomes. When superimposed, the maps of low, middle and high income countries, and of low, medium and high agglomeration countries showed similarities suggestive of a link between agglomeration and development. Despite the progress towards attainment of the Goals, with 4 of 21 targets met well ahead of schedule, there was no time for complacency. Current analyses showed that without a vast acceleration of progress, few of the remaining targets would be attained. Country-level analysis showed a diverse and sombre picture. While it could be expected that gender equality would be attained globally, only half of the countries monitored were expected to achieve that goal. The outlook was even more unsatisfactory for the Goals that were unlikely to be met globally: 18 countries were expected to reduce infant mortality; some were quite close to achieving various other Goals and with an acceleration of progress, could do so before 2015; 20 were expected to reduce infant mortality between 2015 and 2020 and were possible candidates for targeted acceleration.

38. Agglomeration, urbanization and higher income were interrelated: urban areas were more successful at attaining the Goals and faced lower rates of extreme poverty than rural areas. The World Bank's 2008 data showed that urban poverty stood at 11.6 per cent, well below the rural poverty rate of 29.4 per cent. Similar trends were observed in basic sanitation — 80 per cent of urban residents compared to 50 per cent of rural residents had access to toilets in 2010, which was partly attributable to the lower cost of providing services stemming from economies of scale. Concerning primary school completion, while the urban-rural divide was not wide, the quality was often

lower in rural areas, where schools had higher rates of teacher absenteeism and greater difficulty attracting teachers than in urban areas. In addition, while settlements ranged in a vast spectrum from villages to megacities, the poor were disproportionately located in rural areas and small towns.

39. With proper management of urbanization, cities emerged as centres of economic prosperity and social inclusion, supporting well-paying jobs and better Goal-related outcomes; inversely, poor management led to the rise of slums and pollution, putting hard-won development achievements at risk. Developing countries and policy makers must understand and act on the rural-urban dynamic in development. Urbanization should therefore be encouraged, not hindered, and mobility should be facilitated, particularly in countries with low levels of urbanization.

40. First, urbanization could be promoted through an integrated strategy in which upfront, inclusive planning, with preparation and prioritization of investment projects, would give governments and city officials control and not place them at the mercy of private financiers or donors whose priorities did not always align with theirs. That would be a challenge for small towns with limited resources and capacities, however. As a result of poorly managed urbanization in the past, some 1 billion people currently lived in slums. The report identified a variety of measures to help to improve the lives of slum dwellers, who often faced higher costs for services, which further deteriorated already-poor living conditions.

41. Secondly, on the issue of facilitating domestic mobility, particularly where rates of urbanization were still low, focus should be placed on delivering such services as health and education, which improved human capital in rural and urban areas. Migrants to urban areas would be better prepared for jobs and rural productivity would be enhanced. Focus on network infrastructure-related Goals was not recommended in light of limited resources and the need for prioritization; it might be better to improve the opportunities for the poor, than to invest in impoverished areas that might be a source of migrants.

42. For already urbanized countries where rural productivity was close to optimal, it was obvious that, resources permitting, the aim should be to equalize Goal-related service delivery across rural and urban areas. Furthermore, in some countries, network services such as water and sanitation might be bottlenecks affecting health outcomes and should, therefore, not be ignored. Nevertheless, innovative mechanisms, including public-private partnerships, had emerged in rural areas to deliver services without the need for bulky network investment and at reduced costs. It must also be recognized that the protracted process of migration meant that some equalization across rural and urban areas was required. The prevalence of the poor in rural areas necessitated rural development policies to improve farmers' productivity and connect them to urban markets. Those factors substantiated the need to take account of the fact that country-specific solutions were most effective for successful attainment of service-delivery Goals.

43. Well-managed urbanization was a force for good and mobility should be encouraged to assist that process. While the aim should be to meet the Goals irrespective of geographical location, budget limitations made it worthwhile to focus on the Goals that built portable human capital. Continued vigilance was required to improve agricultural productivity and rural-urban connectivity as many of the poor would remain in rural areas for some time.

(b) Presentation by Mr. Richard Kozul-Wright, Officer-in-Charge, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development

44. **Mr. Kozul-Wright** (Officer-in-Charge, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development (UNCTAD)) said that his organization's 50 years of cumulative experience and rich legacy in addressing development challenges could make a decisive contribution to the ongoing system-wide discussions on the post-2015 development agenda. The report to the United Nations Secretary-General, entitled "Realizing the future we want for all" had underscored that a truly prosperous, inclusive and sustainable future required a break from the "business as usual" approach.

45. The success of the Millennium Development Goals could by no means be attributed solely to how efficiently they had galvanized aid flows, but rather to a combination of increased aid flows and good policy fundamentals which rejected many of the structural adjustment policies proposed by the Washington Consensus. One key factor had been the surprisingly favourable international economic climate at the start

of the millennium as capital flows, export opportunities and remittances, inter alia, all moved in favour of developing countries, triggering a period of strong, and in some cases unprecedented growth across all developing regions. International economic relations had been dominated by the rise of unchecked financial markets and capital flows, benefiting the East Asian region, while most developing countries had fallen further behind as a result of deindustrialization, informalization, a collapse in public investment, boom-bust cycles and repeated financial shocks.

46. As advanced countries recovered from the dot-com crisis through the ambiguities of finance-led globalization — a combination of relaxed fiscal and monetary policies, unprecedented debt levels and rising asset prices — growing current account deficits, high-yield, highly leveraged investments and the drive to maximize short-term corporate profits to satisfy shareholders had all spurred growth in the emerging South which, though suggesting strong convergence pressures beneficial to the MDG agenda, had been fragile: the world economy as a whole had seen a steady fall in average annual growth on a decade-by-decade basis. Despite the coordinated response to the crisis, subsequent growth had been anaemic in the North but stronger in the South. Growth, particularly inclusive and sustainable growth, must therefore be a central component of any meaningful post-2015 development agenda.

47. Notwithstanding a better grasp of how financial sector enlargement and the ubiquitous rise in inequality had contributed to the distortions behind the economic crisis, there were many discouraging signs of a return to business as usual — growing global imbalances, speculative bubbles and the overtrading of toxic financial instruments. Furthermore, the turn towards austerity economics and a resistance to serious financial reforms were driving down growth in advanced countries. While the threat of protectionism had not materialized, multilateralism was in retreat on several fronts. The current environment was clearly unlike that in which the Goals had been devised. In addition, the MDG framework could not provide an understanding of the systemic risks and dangers that could constrain, damage or derail development prospects. Therefore some of the basic concepts that framed thinking on the challenges ahead must be examined carefully.

48. All developing countries must go through the processes of structural transformation to close economic and social gaps with developed countries. Urbanization without industrialization, which was still not an integral part of the post-2015 development agenda, was nonetheless a recipe for major problems. Similarly, environmental and human rights issues must be central to that discussion, as must economic sustainability, the creation of virtuous economic circles and productivity. Addressing the wider challenge of maintaining those virtuous circles against the backdrop of climate change and urbanization would require abandoning universal policy approaches, advancing good governance and considering the full range of policies available.

49. The international community must continue to find ways to fill gaps, correct biases and mitigate the risks of an interdependent, imbalanced world economy that hindered structural transformation and inclusive growth. For better integration of Goal 8 with an inclusive and sustainable development agenda, a fundamental review of global partnership was warranted. Meeting the challenges of “The Future We Want” would require dedicated collective actions, substantial trust among stakeholders and bold leadership at national and international levels. However, the belief that rules did not apply to all or could be circumvented had undermined efficient governance of the global economy. Finance-led globalization had eroded checks and balances, skewed growth towards the privileged, wasted resources and failed to mobilize investments to tackle current challenges.

50. UNCTAD advocated giving developing countries a greater voice, more resources and more policy space. A modified combination of reflationary, regulatory and redistribution measures could trigger the requisite rebalancing and benefit developing and developed countries alike. The key was taming the financial system to serve rather than control the real economy.

51. It had always been clear that stable and inclusive development was incompatible with market speculation, boom and bust cycles and the ensuing austerity programmes. Tellingly, the successful economies of the South had avoided such dangers. Reforms were still needed to replace procyclical capital flows with predictable and long-term development finance, regain stability in currency markets and support expansionary macroeconomic adjustments.

Enhanced surveillance and regulation at all levels were still necessary and new institutional arrangements might warrant consideration. Regional financial cooperation, despite current eurozone difficulties, would have a larger role to play in a more balanced international architecture.

52. His organization was cautiously optimistic about the potential of South-South cooperation, as emerging economies, like other developing countries, faced major challenges, including middle-income traps, which would require significant national efforts. The onus thus remained on advanced countries and multilateral institutions to ensure that the international context was right to finance investments on the requisite scale for the future everyone wanted.

(c) Presentation by Mr. Shishir Priyardarshi, Director, Development Division, World Trade Organization

53. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that investment was preferable to aid, since investment led to long-term sustainable growth that years of assistance would not generate. Economic growth must be a strong pillar of the post-2015 development agenda. Indeed, it was integral to the pursuit of true equality, gender empowerment, human rights and peace.

54. Two sources in particular provided guidance on the matter. Empirical evidence from the Commission on Growth and Development, or “Growth Commission”, had pointed to a correlation between rapid, large-scale human development and a high average rate of economic growth. Countries achieving such growth rates had successfully addressed developmental concerns and had several common characteristics: good domestic leadership, market-based resource allocation and, above all, use of the open world economy to drive development. Similarly, the recent United Nations Development Report had illustrated that the countries registering high Human Development Index gains between 1990 and 2012 had had relatively high and increasing shares of trade to output, several trading partners and high export earnings per capita — all suggestive of a positive correlation between open global trade and higher human development.

55. While there was no single causal relationship, failure to take into account economic growth in the post-2015 development agenda would be a mistake for two reasons: substantively, there was a parallel between the economic growth agenda and the social objectives achieved; politically, Governments had the responsibility to respond to the people’s aspirations for economic growth. The new development agenda must therefore reflect those lessons. While policies had varied, the open global economy had driven growth in a number of ways.

56. Sustained, broad-based economic growth with the associated creation of productive employment would be an essential means of attaining the broader objectives of any development agenda. The rationale of the new development agenda and the core objectives identified for the post-2015 agenda were mutually supportive; economic growth and stability were linked to development, peace and security and reduced social conflict.

57. **The President** said that more than aid, countries sometimes needed the support and recognition of sound policies, as well as environments conducive to investment and trade development. He drew attention to some of the questions suggested for discussion in chapter III of the note by the Secretary-General (E/2013/52) with regard to global partnerships for development.

Interactive dialogue

58. **Mr. Studart** (Alternate Executive Director for Brazil, Colombia, the Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago, World Bank) said that in his own country, Brazil, and others in the region, growth had not been the driving force behind improved well-being, but rather socio-economic inclusion and sharing of wealth. That dynamic process had not only enhanced the well-being of the wider population and the poor in particular, but had also led to increasing citizen involvement and ownership of the development process, and consequently a better awareness of climate issues and environmental sustainability. Shared prosperity was one of the main mandates of the World Bank. It was time for international community to change its thinking; growth as undertaken thus far was unsustainable and more balance was needed. While focusing on growth would not lead to sustainable and inclusive development for all, the social and economic inclusion approach to development required much effort and investment, including in terms of access to

finance and public services. Nonetheless, that was the path that should be followed. The Council and other international bodies should give greater importance to reducing inequality as a pillar for sustainable development.

59. **Ms. Samuels** (Observer for the Global Clearinghouse for Development Finance), speaking as Vice-Chair of the Business Sector Steering Committee), referring to the problems in public sector funding, said that it was clear that the issue at hand was defining roles, deadlines and guidelines in implementation of the road map. In rethinking the public-private partnership, there were six concrete areas where action in partnership could greatly improve delivery on the Monterrey Consensus through techniques whose success had been proven in the world of private finance and could be applied to any type of project, whether infrastructure or agriculture.

60. First, the public sector still had much to learn from the private sector in developing projects more effectively. Given the major problem at country level — a lack of bankable projects — better effort was needed to develop business plans and financial models for projects, illustrating cash flows to prove profitability. Independent technical studies were necessary to validate the sources of inputs and markets for projects, with a view to developing products for trade. Second, projects must be structured to mitigate risks. There was a lack of project companies — a successful technique in which separate companies were built to ring fence revenues, with all due diligence to ensure that banks and equity investors were paid. Third, specific contracts with vendors must be structured to provide equipment to deal with performance risks. Fourth, with regard to risk mitigation, facilities such as the vast amounts of partial credit and lending bank guarantees were grossly underutilized because of the absence of suitable projects and of financial advisory on the use of such instruments. Fifth, there was none of the financial advisory expertise required to put together elements of projects such as offer memorandums for banks and investors. Sixth, local governments and national Government agencies responsible for working with private investment must be activated to create the business-enabling environment outlined in the Monterrey Consensus. That six-pronged approach was being tested with a local finance initiative that was being implemented by the United Nations Capital Development Fund.

61. **Mr. Yamazaki** (Japan) said that sustainable development could not be achieved through the post-2015 development agenda unless there was an effort to mobilize all stakeholders. For the United Nations to be a catalyst for global partnerships, it must present a set of clear, simple and measurable goals and indicators. It should also ensure linkages among United Nations system organizations, particularly the high-level political forum and the Council, and an effective and coherent discussion on financing for sustainable development and the creation of a new global partnership. As the international community considered the financing of a global partnership, it should be borne in mind that public and private sources of development financing other than traditional ODA, such as foreign direct investment and remittances, had increased in quality, quantity and importance and were changing the landscape of global development.

62. In 2011, global ODA stood at $133.5 billion, but the total amount of financial flows to developing countries exceeded $2.1 trillion; ODA thus accounted for a mere 6 per cent of the total flow. That led to the key question of how the United Nations could play a pivotal role in encouraging and increasing various funding sources. Member States should come to a political agreement to improve the quality and quantity of public funds, including domestic funds, ODA and South-South cooperation, in turn to leverage and mobilize private financing.

63. Actively addressing the issues of good governance, the rule of law and conflict and disaster prevention could also have positive effects. In the areas of infectious disease and climate change, sectoral funding could be more useful than a comprehensive approach as it created incentives to increase financing. An example of a success was the Global Fund to Fight AIDS, Tuberculosis and Malaria, which had provided the leverage to increase the mobilization of domestic resources and lower the price of medicines. Recalling that at the 2009 United Nations Climate Change Conference in Copenhagen, Japan had pledged to donate $15 billion over three years in short-term climate change funding to developing countries through a combination of public and private financing, he said that his country had actually provided $17.4 billion, which was approximately 40 per cent of the total global contributions.

64. **Ms. Menton** (Observer for the Virginia Gildersleeve International Fund) said that while it was well known that the advancement of women in society had a positive effect on development outcomes, it was necessary to redouble commitment to help them to achieve their full potential by prioritizing Goal 3 by eliminating gender disparity in primary education. Measures must be taken to ensure the development of innovative partnerships between governments, the private sector and civil society so that funds reached where they were most needed. Her organization had a number of recommendations, including implementing an all-inclusive multi-stakeholder approach at every stage of the post-2015 development agenda to ensure meaningful participation of women's and social movements in the design, delivering, monitoring and evaluation of development policies and programmes. Furthermore, greater voice must be given at the United Nations to smaller NGOs and mechanisms and partnerships should be developed to allocate targeted funding to ensure that grassroots issues were heard, especially during discussions on the post-2015 development framework. The requisite support was needed to build the capacity of grassroots NGOs to increase their effectiveness, efficiency and accountability as well as their connections with donor organizations.

65. **Mr. Zinsou** (Benin) said that the Millennium Development Goals had been imposed as universal norms without regard for countries' initial situations and without country-specific measures. There were systemic handicaps stemming from the role of provider of raw materials and consumer of foreign-made products and as long as countries remained in that dual role, poverty would never be eradicated. Raw materials must be transformed locally, increasing the value added by developing countries. Decentralized energy sources must be found in order to improve the standard of living and productivity in villages. Capacity-building was also necessary: to counterbalance the glut of graduates in urban areas with degrees in social and experimental sciences, the Government of Benin, without waiting for external aid, had issued a bond to assist young people with training in entrepreneurship and agriculture. Urbanization was not the solution; rural populations should not be forced to relocate, but rather provided with basic social services to improve their standard of living and access to modern technology. Poor countries needed industrialization; it was therefore not the time to weaken UNIDO. South-South and triangular cooperation, which had strong potential to promote industrialization, should be given support. International financial organizations should therefore focus their policies on those aspects, mobilizing resources to assist countries in implementing their own priorities.

66. **Ms. El-Badrawi** (Observer for the Egyptian Centre for Economic and Social Rights) said that the goals of the post-2015 development agenda could not be achieved without the realization that a real structural reform was needed to create policy coherence between governance of the international economic order and a vision for international development. The wave of economic austerity ran counter to economic and social growth, particularly in countries that had experienced the Arab Spring and now faced economic hardships without an effective social safety net. Austerity measures also directly contradicted Goal 1 on poverty eradication; even as the 2010 vision of the development agenda had reinforced that goal, the International Monetary Fund recommended less public spending. The right to development framework should be broadened to include questions on economic governance. She also called for transparency with regard to government spending on the Millennium Development Goals and any subsequent development goals. Lastly, concerning the relationship between peace and security and development, the situation in the Middle East and North Africa required caution. Security solutions to economic and social frustrations had actually increased instability and led to revolt in some countries.

67. **Ms. Brandt** (Executive Director for Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden, World Bank) said that while there had been much focus on the post-2015 agenda during the meeting, not much attention had been paid to accelerating progress towards the existing Goals. Not a single Goal had been achieved in a fragile or conflict-affected State. Efforts must therefore be redoubled before 2015, not least for the credibility of the international community in devising the next development framework. Countries must promote policies for sustained, inclusive and sustainable growth, invest in human capital and promote private sector-friendly policies. Development partners could join efforts when such policies were in place. Greater private sector involvement was indeed desirable and the World Bank was well placed to generate public-

private synergies. More effective work on the ground between the United Nations system and the World Bank Group was needed to maximize development impact. Her organization looked forward to continued interaction with the Council and more informal, interactive and action-oriented conversations in addition to the formal dialogue.

68. **Ms. Camacho** (Mexico) said that the Monterrey Consensus and the Doha Declaration provided important points of reference for a new international focus to address the problems of financing for development, global governance and the global partnership for development. One of the objectives of the holistic approach had been to give impetus to a framework of coherent policies, which was closely related to the achieving the Millennium Development Goals. The Monterrey Consensus continued to be important to the post-2015 agenda. That agenda should aim to eradicate world poverty by promoting such priorities as structural reforms to correct imbalances and create jobs, efficient use of resources and a social and environmental protection floor, while focusing on such cross-cutting issues as financing and governance. The new strategy for financing for sustainable development must be based on the financing for development agenda, taking into account existing funding mechanisms, public and private sources and innovative financing mechanisms to enhance coordination and avoid duplication of effort. The holistic Monterrey agenda could serve as a basis for discussions on implementation and the commitment of all to a genuine pact for development. A successful global partnership for the post-2015 agenda must include funding, implementation, follow-up and decision-making. The Council was well placed to conduct that follow-up, which would be complementary to the high-level political forum.

69. **Mr. Tong-Q Lee** (Republic of Korea) said that the development landscape had evolved, with a proliferation of actors, issues platforms and resources. The number of donors had grown tenfold in the last half century, but NGOs and the private sector currently accounted for 80 per cent of the capital flows to developing countries. That change brought new possibilities, but also new difficulties to international cooperation. Even with agreement on the post-2015 development agenda to guide future development cooperation, the realization of those goals would depend on how they were implemented. There was a need for coherent and effective implementation, coordination among donors and, at the same time, synergies between traditional and newly-emerging donors. A strong partnership would be required between institutions and nations to create an enabling environment for development. A global partnership for development should be based on the principles of clear country ownership and include a platform for relevant stakeholders. The United Nations had the legitimacy to take the lead in global monitoring of the implementation of the post-2015 agenda.

70. **Mr. Ovalles-Santos** (Observer for the Bolivarian Republic of Venezuela) said that the role of the private sector had been the topic of many General Assembly resolutions calling for greater action and involvement in regulating the market in the public interest and recognizing the need for better-regulated financial markets. His delegation believed that the current financial crisis was the result of irresponsible and selfish methods of production and consumption, with systematic desecration of the environment and profound social imbalance. While the Millennium Development Goals had helped to galvanize aid flows and provide a normative framework, fiscal reform, liquidity restrictions and application of proposals of the already obsolete Washington Consensus were necessary. With regard to basing the post-2015 development agenda on the Monterrey Consensus, it provided an opportunity for open dialogue among the main stakeholders involved in financing for development. Fundamental problems such as financial instability, lack of liquidity and the need for adequate technology transfer remained. Reform to create a more enabling economic and financial international environment was needed. The Bretton Woods institutions must also reform from within and study new mechanisms for global coherence, including an intergovernmental committee on financing for economic, social and sustainable development to strengthen dialogue between the Council and international financial institutions.

71. **Ms. Muchhala** (Observer for the Third World Network) said that the post-2015 development agenda had the potential to be a turning point in setting multilateral development policies if it could mobilize the world to make a genuine commitment to a framework that aimed for structural and democratic transformation of the international financial and trade architecture. That would involve reinstating the

proactive and developmental role of the State in formulating and carrying out national development strategies. In line with recent statements by the Group of 77, she reiterated a number of key principles: policy space was essential for national development strategies and the post-2015 framework with regard to financial governance; international cooperation was vital; the principle of common but differentiated responsibility was key to the application of post- 2015 actions and goals, with real commitment by developed countries to financing and technology transfer. Short-term problems should not prevent long-term commitment to development; South-South cooperation, though essential, was supplementary to North-South cooperation. Macroeconomic fiscal and monetary policies must be more expansionary and direct long-term public expenditure towards socioeconomic infrastructure and sectors to enable countries to move beyond development strategies, particularly given the current age of austerity. The real economy must move towards wage-led growth and the investment-production nexus long recommended by UNCTAD for building diverse domestic economic sectors.

72. **Ms. Woldegiorgis** (Ethiopia) asked the representative of the World Trade Organization to provide details on the package for the least developed countries to be discussed at the upcoming Ministerial Conference. Owing to lack of supply capacity and other non-tariff constraints such as sanitary and phytosanitary measures and technical barriers to trade (TBT), those countries had not benefited from the Ministerial Declaration adopted at the Sixth Ministerial Conference held in Hong Kong, in which members had agreed to provide duty- and quota-free market access to least developed countries. She therefore asked what was envisaged with regard to those technical barriers and building the productive capacity of those countries. Earlier, representatives of the World Bank had spoken of its ambitious but attainable goals to eradicate poverty by 2013 and to give greater opportunities to the poor. Looking at trends, it was clear that Africa, especially sub-Saharan Africa, lagged behind; she shared the view that economic growth and industrialization were essential to poverty eradication and employment and growth respectively. She therefore asked for their views on the importance of industrialization, building the productive capacity of African countries and how it planned to achieve its goals in the context of the post-2015 development agenda.

73. **Ms. Mxakato-Diseko** (South Africa) said that her delegation underscored the primacy of the intergovernmental process in decisions regarding the post-2015 agenda. Particularly in Africa, it was important that as that agenda drew nearer, it did not overshadow the need to keep the promise and meet MDG targets. South Africa strongly believed that the principles needed for a global partnership to foster sustainable development goals had already been established through the Rio Conference, especially with regard to common but differentiated responsibilities, respective capabilities and the need for policy space for developing countries to drive efforts to create wealth and inclusive growth and eradicate poverty. Discussions on governance must focus on the need to transform global governance. The decisions of the Bretton Woods institutions had significant impact in Africa, but it was underrepresented in decision-making structures, despite the fact that sub-Saharan Africa had long been asking for an additional seat in the International Monetary Fund and that much reform had been undertaken in Africa in preparation for the promised investments that were conditional on improvement.

74. **Mr. Pirouz-Poulsen** (Observer for the European Union), citing the report of the Secretary-General on the Quadrennial Comprehensive Policy Review of operational activities for development of the United Nations system (A/67/93), said that the development landscape was changing and development cooperation should change as well. Domestic resources provided the most policy space and should therefore be the main source of financing for development. However, ODA remained crucial, particularly for the least developed countries, and was a catalyst in mobilizing other important sources of finance, such as private domestic investment and foreign direct investment. To improve the effectiveness and complementarity of different types of development financing, transparency in flows must be encouraged. Governments should use their policy space to deliver national priorities and development in areas including development finance, trade, investment and migration. The European Union welcomed the increased pace of negotiations on trade facilitation at the World Trade Organization and was working with partners to ensure that the Bali Conference would deliver tangible results, advancing global free trade and delivering economic benefits to all members through the addition of $70 billion to global GDP year-on-year, some two-thirds of which

would likely go to developing countries. It also encouraged others to work with the Global Partnership for Effective Development Cooperation to drive international efforts for more effective resources, policies and coordination for development.

75. **Mr. Greene** (Observer for the United States Council for International Business) said that from a business perspective, Goal 8 missed two key elements: economic growth and good governance. The current focus appeared to be on where to direct aid and assistance, but in the context of the private sector, development meant indigenous growth in the absence of aid. A clear focus on the need for building domestic markets and for foreign investment was lacking and was not consistent with the Monterrey Consensus. In addition it was critical to close gaps in transparency, the rule of law and combating corruption and to reduce the size of the informal sector.

76. **The President** said that his concluding remarks would be published on the Council website. He was certain that the discussions had provided much food for thought and that the concerns expressed would be taken on board and developed further.

The meeting rose at 6.20 p.m.