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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

Summary record of the 9th meeting

Held at Headquarters, New York, on Monday, 14 April 2014, at 10 a.m.

President: Mr. Sajdik .... (Austria)

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14-30014 (E)

The meeting was called to order at 10.15 a.m.

Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda (E/2014/53)

Opening remarks by the President

1. **The President** said that the meeting came at a critical and appropriate juncture when the post-2015 development agenda was being devised. The success of that agenda depended on a strong global economy. Achieving stable and equitable economic growth would, in turn, require greater cooperation and coherence in macroeconomic policies. The world economic situation had shown improvement, but remained subject to uncertainties and risks. Despite a projected 3 per cent growth in world gross product in 2014, up from the subdued 2.1 per cent growth that had been estimated for 2013, the global employment situation remained weak. Developed and developing economies alike still faced challenges such as high structural and youth unemployment. Macroeconomic policies worldwide should thus focus on supporting a strong and balanced recovery, particularly the recovery of jobs for young people.

2. Nevertheless, there were signs of hope, including a downward trend in jobless figures in Spain; healthy bond investment on the recent return of Greece to the financial market; unemployment at less than 7 per cent in the United States; and booming foreign direct investment in manufacturing, mainly from European companies, driven by low energy costs on European markets. However, after a decade of growth, the economies of Brazil, the Russian Federation, India and China recorded growth rates in 2013 that were far below their high-water marks. Their currencies were also depreciating as a result of economic slowdown, the specificities of global financial markets and recent moves that had changed the political landscape in Eastern Europe and raised anxieties about the sustainability of two decades of relative stability.

3. The post-2015 development agenda would require a comprehensive financing framework that ensured the mobilization of financial resources and their effective use for sustainable development, with a comprehensive strategy incorporating public, private, domestic and international financing. Ultimately, financing for development in most countries would be generated domestically, which would require sustained domestic growth, supported by an international enabling environment. Traditional development cooperation, and official development assistance (ODA) in particular, would continue to be vital, especially for countries with special needs. In that regard, disaster risk policies were vital to address challenges of risk and vulnerability.

4. Given the considerable financing needs for sustainable development, public financing alone would not be sufficient. Private financing would also need to be tapped more extensively, because institutional investors held more than $85 trillion in assets and investing only a small percentage of their assets towards sustainable development would make a large difference. Their involvement in the Sustainable Energy for All Initiative was testimony to their interest in investing in sustainable development and more similar initiatives were needed. Creating a stimulating environment for investors was only achievable through good governance, transparent public institutions, the rule of law and policies that made sustainable investments more profitable and unsustainable ones less attractive. Policymakers must therefore think creatively about how to encourage investment in sustainable development.

5. An effective post-2015 development agenda, with poverty eradication and sustainable development at its core, must be based on a strengthened global partnership for development. It must also reflect the changes in the global development landscape and engage all actors, with strong monitoring and accountability mechanisms. The Development Cooperation Forum played a major role in that regard. At the national level, parliaments and supreme audit institutions could be pivotal in ensuring transparency and accountability. In the quest to achieve sustainable development goals, multi-stakeholder partnerships were of significance, as partners could leverage their comparative advantages for specific purposes or goals.

6. Lastly, by its resolution 68/204, the General Assembly had decided to convene, in 2015 or 2016, a third international conference on financing for development to assess the progress made in the implementation of the Monterrey Consensus of the International Conference on Financing for Development and the Doha Declaration on Financing for Development. The current meeting was a prelude to that conference. The Council could promote synergies between various processes and events leading towards

a global development agenda beyond 2015, which must be underpinned by a strong financing strategy.

Opening address by the Deputy Secretary-General

7. **The Deputy Secretary-General** said that more than five years after the world financial and economic crisis had erupted, the global economic recovery was slowly under way. Developed and developing countries alike were growing at varying rates. The economic forecast in many parts of the world remained positive. Yet, the crisis was not a story of the past. Severe effects lingered and serious risks remained. Growth was still insufficient. The employment situation was dire in many countries, particularly among young people. Inequalities were growing. The world's wealthiest 85 people had as much wealth as the poorest half of the world's population. Income and wealth gaps were seriously widening inside a great number of countries, with negative effects both on security and on long-term growth.

8. The current year marked the 70th anniversary of the Bretton Woods institutions and the 50th anniversary of the United Nations Conference on Trade and Development (UNCTAD), yet the world continued to wrestle with many of the challenges they had been set up to address. Bold leadership was needed for strengthened multilateralism. The initial trade reforms achieved at the Ninth Ministerial Conference of the World Trade Organization in Bali in 2013 showed that the multilateral road was still the preferred choice. He looked forward to an equal measure of success in the ongoing work to complete the Doha Round of multilateral trade negotiations with a strong development content. The World Trade Organization and UNCTAD must provide the guidance needed to put trade and development at the fore in the next round.

9. Macroeconomic policies worldwide must focus on a strong, balanced and sustainable recovery, with particular emphasis on jobs. It was important to acknowledge the changing global landscape and not leave the emerging economies on the side lines. The international community must strengthen efforts to accelerate progress towards the Millennium Development Goals. At the same time, it had started setting the direction beyond 2015 by shaping a new development agenda with poverty eradication and sustainable development at its core.

10. He welcomed the beginning of deliberations on the means of implementation of that agenda, particularly on financing. The Secretary-General, in his meetings with the multilateral development banks, had urged further cooperation with Member States and the United Nations system to strengthen the strategies for development financing. It was widely known that enormous financial resources were needed to put both peoples and the planet on a sustainable path. That was why it was necessary to tap all sources — public, private, national and international. Increased public financing for development was indispensable in order to tackle poverty, address additional social needs, and provide public goods.

11. ODA remained highly important, particularly for those countries most in need. It was vital for developed countries to deliver on both their ODA and their climate finance commitments. The resources were there, but they were not sufficiently allocated to finance sustainable development needs. There was still a significant gap between developed and developing countries when it came to the capacity to raise public revenues. The challenge lay in designing policies to increase tax revenues in an equitable manner in developing countries. That would not only increase domestic resources available for development, but could also promote accountability and public oversight.

12. Countries also needed to strengthen and develop long-term, stable and inclusive domestic financial systems, free of corrupt practices. The international community could not continue to ignore illicit financial flows which deprived countries of much-needed revenue and reinforced corruption and criminality. It was essential to tackle that issue, not only in the countries of origin but also in the countries of destination. The High-level Panel on Illicit Financial Flows from Africa had pointed to the unacceptable loss of at least $50 billion yearly through such drainage from Africa alone. All of those efforts should be supported through concerted multilateral efforts and effective, functioning and accountable institutions at the national level. The world knew all too well, given the current political crisis in the Syrian Arab Republic, that decades of development could be lost in months through war and conflict. The post-2015 agenda should be ambitious, inclusive and focused on the concrete challenges for current and future generations, as well as on strong institutions to meet those challenges.

13. Putting the world on a sustainable path needed to be infused with a new global partnership for development. That partnership must be based on equity, cooperation and, above all, accountability, and must aim for transformative change. The Council and the organizations present at the current meeting had a crucial role to play in that regard. They could channel financing for critical long-term investments, such as infrastructure, and had the capacity to act counter-cyclically, contributing to greater stability in the financial system. They could also wield vast influence in the success of the climate and post-2015 development agendas. The third international conference on financing for development would provide a unique opportunity to foster sustainable development.

14. Lastly, only by acting together could Member States, international organizations and other stakeholders safeguard the future. A collective effort was needed to prove that multilateralism worked. He counted on all relevant stakeholders to push for progress towards 2015 and beyond for the benefit of the peoples of the world as well as the international community. In an interdependent world, good international solutions were also in the domestic interests of States. Recognizing that would unite national and international pursuits to achieve a life of dignity for all, a goal in line with the principles and purposes of the Charter of the United Nations.

Ministerial segment on theme 1: "World economic situation and prospects"

Presentation by Mr. Thomas Helbling, Chief, World Economic Studies Division, International Monetary Fund

15. **Mr. Helbling** (Chief, World Economic Studies Division, International Monetary Fund), introducing the 2014 World Economic Outlook entitled "Recovery Strengthens, Remains Uneven", said that global growth had increased in the second half of 2013 and would accelerate further in 2014 and 2015, and that advanced economies had become the underlying drivers of growth, even though most of the growth itself still came from developing and emerging economies. In 2013, activity had strengthened in advanced economies but only moved sideways in emerging economies. Among the many underlying factors of recovery in advanced economies, with the exception of Japan, was an easing of fiscal consolidation in 2014. In addition, monetary policy would continue to support recovery, and data showed that markets expected policy rates in the United States to be at 2 per cent by 2017, which was still below their natural rate.

16. Stronger growth in advanced economies would help the recovery in emerging markets, as there was a close correlation between activity in those economies and exports from those markets. However, the boost to growth had been offset by tighter financial conditions in recent months, the effects of which should not be overemphasized, given the consequences of initial talks of tapering in the United States in May 2013. In addition, while longer-term interest rates had risen elsewhere, they had not done so in many emerging markets and equity prices had only moved sideways. Emerging markets were therefore adjusting to tighter financial conditions. If the projections of the International Monetary Fund held true, the tightening of financial conditions would be a one-off occurrence, with normalization or a correction soon to follow.

17. Figures for world growth in 2013 stood at 3 per cent. The latest estimates for 2014 were 3.6 per cent and up to 3.9 or 4 per cent was projected for 2015, which was still considered below potential and indicated that there remained abundant slack in the global economy. The main concern with regard to the uneven recovery and variations in growth rates globally, particularly in major economies, was that there was a potential for tensions, which could trigger adjustments in exchange rates and cause problems for some countries. Statistics for the United States for the next two years were of interest, in particular with regard to monetary policy normalization: as the current unemployment rate of about 6.5 per cent moved closer to the estimated natural rate of 5.5 per cent, conventional monetary policy would also begin to tighten.

18. The crucial variable in that regard was labour force participation, which had decreased for cyclical reasons, but was expected to rebound, leading to further deceleration in unemployment. In the euro zone, despite encouraging signs of recovery stemming from exports and stabilization in domestic demand, concerns and crisis legacies remained and needed to be corrected as countries continued to adjust to high debt and financial sector weakness. Domestic demand was expected to remain weak, especially in the stressed economies of southern Europe. The difference in lending rates to small and medium enterprises across the euro zone — low and moving sideways in core

countries, but rising and still high in stressed economies — would remain a drag on growth.

19. In Japan, growth had accelerated as a result of Abenomics, the suite of economic policies based on fiscal stimulus, monetary easing and structural reforms. With the start of fiscal policy consolidation due in 2014, there should be a relative moderation in growth for 2014-15. There were encouraging signs that Japan would succeed in moving towards the new 2 per cent inflation target, and headline inflation was expected to overshoot 2 per cent in 2014 with the increase in the consumption tax rate. The feeling was that after more than a decade of deflation, longer-term inflation would ratchet up towards 2 per cent, leading to higher nominal income growth, which would be helpful in a highly indebted economy. Furthermore, while Abenomics had been successful in boosting growth, its impact on corporate investment had been below expectations. International Monetary Fund forecasts took into account lags and frictions that had delayed adjustments to policy impetus and to the new policy environment, and therefore projected that investment would accelerate.

20. With regard to emerging markets and developing economies, it was estimated that China would succeed in its transition to more a balanced and sustainable — albeit lower — growth path, going from 7.5 per cent in 2014 to 6.5 over a projected five-year period. However, as China still grew much faster than many economies and its share of the global economy continued to increase, its contribution to global growth would remain stable at slightly more than 1 per cent. That had been the basis of the Fund's projections on commodity prices, which had eased over the last two to three years and would gradually decline further in coming years. However, the repercussions for emerging and developing economies were that there would be no boost from commodity trade over the forecast horizon.

21. The 2014 World Economic Outlook highlighted three categories of risks: geopolitical risks, which had been downgraded but had since resurfaced; risks from low inflation and potential disinflation, particularly in the euro zone; and risks to emerging and developing economies resulting from changes in external environments. There had already been some baseline adjustments, particularly in the Commonwealth of Independent States, where growth had been revised downwards owing to a deteriorating investment environment. Nonetheless, emerging markets still faced a number risks. First, their medium-term growth potential had been downgraded, as investment plans had been modified to reflect the overly optimistic expectations of the mid-2000s. Second, less growth in China would lead to lower investment. Third, changing external environments meant that while emerging markets had posted stronger returns for many years, return prospects in advanced economies had improved and the relative risk-return balance had changed. Investors were more sensitive to emerging market risks, though the risks themselves had changed little, and shocks to the global economy could lead to further downward adjustment in those markets.

22. Emerging markets had adapted to tapering, some in relatively dramatic fashion, facilitated by exchange rate adjustments. The data showed positive growth capital inflows, including portfolio inflows, to emerging and developing markets in 2013 and they were expected to pick up again in the forecast period. Furthermore, many of the factors underpinning the strength of those markets were still present, including a solid stock of international reserves, low inflation, fiscal balances that remained relatively small and current account balances which, though deteriorated, were still positive. The few emerging markets under pressure, dubbed the "fragile five" in the media, had seen only a minor increase in vulnerability. Overall, with the right policies and with the help of exchange rate flexibility, emerging markets were in a relatively strong position to withstand further shocks.

23. Going forward, it was important to have policies that maintained exchange rate flexibility as a shock absorber and focused on macroeconomic stability, ensuring that inflation remained well anchored. In addition, fiscal policy should be geared towards medium-term objectives in terms of quality of fiscal adjustment and limitation of public and external debt. Another round of structural reforms would be necessary in a number of major emerging economies to overcome bottlenecks and impediments to higher longer-term growth.

Statements by Ministers of Finance, Development Cooperation and Foreign Affairs and Central Bank or National Bank Governors

24. **Ms. Georgieva** (European Commissioner for International Cooperation, Humanitarian Aid and Crisis Response) said that natural disasters and conflicts and the risks they posed had an economic impact that did

not receive sufficient attention and needed to be integrated into mainstream macroeconomic thinking. They affected not only fragile States, but the world as a whole due to the interconnectedness of the global economy and production chains. The costs that natural disasters generated through lost revenue, higher expenditures and increased public debt had quadrupled over the previous three decades to US$ 200 billion per year. Investing in disaster resilience could therefore strengthen economies and give them a competitive edge, and States affected by natural disasters must take advantage of the opportunities that post-disaster reconstruction work brought in the form of economic growth and job creation.

25. Conflicts harmed national economies by triggering downturns in trade and investment and, if coupled with refugee flows, had a negative impact on neighbouring economies as well, since the influx of refugees increased demand for public services, pushed down wages and drove up the cost of living. Countries took much longer to recover from conflicts than from natural disasters because they tore societies apart, unlike disasters which brought people together.

26. The European Union was enhancing its own capacity to withstand shocks. Under new legislation, risk assessment and management policies were mandatory, and work was being done with the insurance industry to identify and develop suitable policies in that regard. Fragility was a priority in the European Union's new agenda for change, and a resilience policy had been adopted for humanitarian aid and development cooperation, which, importantly, were combined for the countries that were most at risk of conflicts or natural disasters. The European Union was also investing heavily in research capabilities in that policy area.

27. **Mr. Jensen** (Minister for Trade and Development Cooperation, Denmark) said that although the world economic outlook was improving, many developing countries faced external challenges. Achieving the substantial growth needed to eradicate poverty required the political commitment of all. Broad-based, inclusive growth had greater impact and linkages from community sectors into the broader economy needed to be established, since natural-resource-based growth alone and simple redistribution would not work. Shared prosperity meant creating economic opportunity and jobs for the poorest segments of society, women and marginalized groups; inclusive, sustainable growth that had a positive impact on employment was therefore essential.

28. Countries were responsible for their own development and developed in different ways, but inspiration and best practices could and should be sought elsewhere. Restructuring the economy called not only for finance, but also for appropriate policies and strong democratic governance. Without structural reform, there would be no inclusive or sustainable growth, and without that, no lasting eradication of poverty. It was up to Governments to create the necessary infrastructure and to develop trustworthy legal systems and responsive democratic mechanisms, while the private sector should be the driver of sustainable and socially responsible economic growth.

29. The landscape of development finance was changing dramatically, with international private sector flows taking on a substantially different scope. Non-ODA flows in 2012 had accounted for over 80 per cent of resources received by developing countries, which was a welcome development, but posed new challenges, such as corruption and illicit financial flows. Measures must also be taken to ensure that decent working conditions and respect for labour rights formed part of economic progress in developing countries. Domestic resource mobilization was also increasing and, if it exceeded 20 per cent of gross national income, could, according to the United Nations Development Programme, suffice to cover the cost of achieving the Millennium Development Goals. However, ODA was still important for the least developed and low-income countries. Efficient use of public resources by all partners was a key.

30. External engagement was an integral part of the development process. Substantial, sustained growth was built on opening economies to the outside world. Foreign direct investment brought with it technology and know-how and paved the way for the modernization of any economy, and countries needed access to larger markets as production increased. Governments had a role to play in that equation. Denmark was one of the few countries to have kept its ODA above the United Nations target of 0.7 per cent of gross national income; it would continue to honour its commitments in that regard and encouraged others to do the same. Partner countries had to increase their efforts, however, to mobilize domestic resources.

31. **Mr. Llorentty Solíz** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, recalled that the global crisis had exposed the weaknesses and flaws of the international economic and financial system. It was therefore imperative that the United Nations should play a stronger role in international economic and financial affairs and, through the Council in particular, in the governance of the world economy. The international monetary and financial system was clearly in need of urgent reform to make it more efficient, more transparent and more legitimate. The international financial architecture should reflect current realities, such that developing countries had a greater say in global economic governance. A properly regulated financial sector that reduced speculative investment and mobilized flows to further sustainable development was required. Specifically, the Bretton Woods institutions needed to undergo ambitious and prompt reform. Developing countries should be fully and fairly represented on their governing boards, otherwise the democratic basis and legitimacy of the institutions would remain questionable. Voting parity should be established for developing countries as a group, both in their decision-making and in all debates on the reform of the international monetary system and the new provisions on the International Monetary Fund's special drawing rights.

32. The ongoing global economic crisis was affecting the economies of an increasing number of developing countries, and the slow growth of the world economy had hampered poverty reduction and investment in key areas for achieving the Millennium Development Goals. Addressing their external debt problems was an important part of international cooperation, and the Fund must respond to the needs of developing countries in a more expansive and flexible manner, without imposing pro-cyclical conditionalities. For the benefits of trade to be fully reaped, the multilateral trade system must be rules-based, open, non-discriminatory and fair, and all developing and least developed countries must be permitted to join the World Trade Organization quickly, transparently and unimpeded by political barriers.

33. Guaranteeing adequate and steady development funding was crucial for developing countries, for the post-2015 development agenda and for increasing the prosperity of the world as a whole. A renewed, stronger global alliance for development with effective implementation measures, such as capacity-building, the provision of adequate, predictable and stable financing, and technology transfers under favourable conditions, needed to be built on the strong foundations already laid at the Monterrey and Doha Conferences. The holistic approach and the principle of "common but differentiated responsibilities" should also continue to be applied. The United Nations played a central role in coordinating the follow-up process and ensuring its continuation, but greater commitment was required from all interested parties to ensure the implementation of the commitments assumed at those Conferences.

34. The Group of 77 and China was deeply concerned by the decline of ODA in development cooperation. The developed countries needed to meet their ODA commitments and targets. A more inclusive framework for the governance of the global economy was required to improve the workings, stability and resistance of the international monetary, financial and economic institutions, and a new set of open macroeconomic policies that avoided the contractive and uneven impact of the liberal approach was needed to achieve stability, pursue long-term growth and reduce income gaps.

35. **Mr. Nowotny** (Governor, Austrian National Bank) said that the advanced economies were recovering from the economic crisis, and growth was projected to pick up in the euro area in 2014 and 2015 and to exceed the European average in Austria, which had an unemployment rate of 4.7 per cent, the lowest in the European Union. However, some emerging markets, such as China, were experiencing long-term structural changes besides those attributable to the boom and bust cycle. In the short term, the monetary policies adopted by the advanced economies, such as the decision by the United States Federal Reserve to taper its unconventional monetary policy, had had a pronounced impact on emerging market economies. Their own macroeconomic fundamentals played an equally decisive role, however: those with larger imbalances had undergone sharper currency depreciations and most of those under pressure had tightened their monetary policies.

36. The Fund's forecasts for 2014 and 2015 had therefore been revised downwards for several emerging market economies. The announcement of tapering had had no negative effect on the euro area but had affected the Russian Federation, Ukraine and Turkey. The situation in Ukraine and the Russian Federation had, moreover, been exacerbated by political tensions, which, if they escalated, could severely affect the economic situation in the region and beyond.

37. The problems facing the emerging market economies were rooted in the ready availability of relatively low-cost financing after 2008, when many had launched domestic stimulus policies to offset the decline in exports caused by the contraction of the advanced economies, triggering credit booms and rapid asset price increases. In some cases, however, the impetus for reform had declined, resulting in a loss of external competitiveness, which in turn had led to exchange rate appreciations and current account deficits or shrinking current account surpluses. Several countries had eased monetary conditions further to limit exchange rate pressures, such that many had entered the recent period of economic recovery — just as the United States had decided to abandon its stimulus policy — with domestic demand that was too strong, current account deficits that were too large, exchange rates that were too high and interest rates that were too low.

38. To ensure a soft landing and prevent a severe economic bust in those economies, any further escalation of current geopolitical tensions must be avoided. Economic sanctions were not in the interest of the Russian Federation, the European Union or the United States. Political risks in other emerging markets also needed to be contained. The delay in tapering should be used to address the imbalances in the emerging market economies so as to be better prepared for eventual monetary tightening in the United States and elsewhere, and prudent macroeconomic measures should be applied to manage rising interest rates and relenting growth. He believed that emerging market economies would be able to address those challenges appropriately and emerge stronger and more resilient.

39. **Mr. Buhlaiga** (Vice-Minister of Finance, Libya) said that all States must take action to foster sustainable development, in accordance with the principles established at the United Nations Conference on Sustainable Development (Rio+20). States must uphold their people's right to development and ensure that they were given the opportunity to live decent and prosperous lives. To that end, States must more effectively coordinate their efforts to achieve the Millennium Development Goals and implement the post-2015 development agenda.

40. The 2008 global economic and financial crisis had revealed that existing economic governance mechanisms were seriously flawed. The world must learn from that crisis and reform the global financial system and economic decision-making mechanisms. The United Nations, which had a key role to play in that area, must engage more with all relevant stakeholders, including the International Monetary Fund, the Group of 20 and the World Bank, and help to make international financial institutions more democratic and more responsive to people's development needs. It was vital to promote the welfare of all peoples and prevent future economic and financial crises, which could seriously impede social and economic development. The global financial system must more effectively channel investment to projects that supported sustainable development and addressed global imbalances. In that regard, developed countries must uphold their ODA commitments and redouble their efforts to better restructure the sovereign debt of developing countries.

41. The Monterrey Consensus and the Doha Declaration provided a comprehensive framework for addressing growing global challenges, including external debt and migration. Governments should play a more active role in addressing those challenges. Intergovernmental oversight of the financing for development process was also sorely needed. Trade barriers that impeded developing countries' access to international markets must be removed, and efforts must be made to facilitate their accession to the World Trade Organization. Furthermore, to combat capital flight from developing countries to safe havens in the developed world, which was impeding development and the achievement of the Millennium Development Goals in a number of developing countries, an international anti-corruption instrument must be drawn up to facilitate the repatriation of financial resources to those countries and prevent States from adopting legislation that facilitated capital flight.

42. **Mr. Muhammedov** (Deputy Minister of Finance, Turkmenistan) said that his country had shifted to a sustainable development model and was successfully implementing a national social and economic development plan that sought to promote sustainable growth and achieve well-being for the population through increased investment and coordinated support for State agencies, society, industry and the environment. The aim was to turn Turkmenistan into a dynamic, developed country by modernizing its industry, encouraging diversification and increasing its human capital while taking into account the traditions, customs and mind-set of its people, as well as the

specifics of its social, economic and demographic situation, and ensuring a pragmatic level of State regulation. International cooperation was viewed as highly important, and cooperation with the United Nations, the World Bank, the International Monetary Fund and other organizations had been very fruitful.

43. **Mr. Hashim** (Governor, Central Bank of the Sudan) said that, although most developing countries had successfully achieved the Millennium Development Goals or were likely to do so by the 2015 deadline, some, primarily highly indebted African States, had made insufficient progress in that regard. They therefore required substantial debt relief to stand any chance of achieving their sustainable development goals. In that connection, the Sudan had been working with its creditors and international financial actors to reduce its debt burden. Debt relief was critical if the Sudan and other African countries were to provide their citizens with basic services, including health, education and access to clean water, or to implement the post-2015 development agenda.

44. **Mr. Karimsakov** (Eurasian Economic Club of Scientists Association, Kazakhstan) said that the Association sought to identify effective ways to address economic challenges and risks. Since 2008, in collaboration with the Government of Kazakhstan, it had been organizing the annual Astana Economic Forum, which brought together representatives of over 130 countries, as well as representatives of scientific institutions, international financial organizations and the media, to discuss pressing economic issues. In 2013, the Government of Kazakhstan and the Association had organized the first World Anti-Crisis Conference, which had adopted the Astana Declaration and formulated a draft world anti-crisis plan to support long-term sustainable economic growth. The second World Anti-Crisis Conference would be held in May 2014. The Association invited the members of the Council to attend that conference and also to review the draft world anti-crisis plan and submit their observations and suggestions in that regard to the conference organizers.

Interactive Dialogue

45. **Mr. Khan** (Observer for Pakistan) said that global economic growth would remain cyclical and a stronger global partnership was needed to address resource gaps during economic downturns that could impede sustainable development, which must remain an overarching goal of the international community. Fostering development was primarily a national responsibility of States, but pro-development international economic, financial and trading regimes could also play a critical role in eradicating poverty and promoting sustainable development for all. Although ODA alone was insufficient for developing countries to finance their development needs, and must therefore be complemented by aid from the private sector and civil society, it remained critical for a number of developing countries with limited fiscal space. Donors must therefore strive to ensure that their ODA was coherent and aligned with the needs of recipient countries, but must also consider how best to leverage private sector resources to more effectively achieve sustainable development goals.

46. Lastly, he asked whether efforts to mobilize funds for development should remain distinct from fundraising efforts to address climate change, or whether a single comprehensive track was the way forward, especially since Rio+20 had sought to address development in an integrated manner by considering its social, economic and environmental dimensions.

47. **Mr. Wang** Min (China) said that economic recovery in many countries was proving to be a slow and difficult process. To promote strong, sustainable and balanced global economic growth, all Governments should adopt responsible macroeconomic policies and work more closely with each other to foster greater economic and developmental synergy. Economic growth was not a zero-sum game and countries at different stages of development must collaborate to address common challenges so that all could benefit. To enhance global economic governance and create a fair, open and orderly economic environment, the international community should adopt policies in the areas of trade, finance and debt that encouraged development and created favourable conditions for developing countries.

48. International trade was a key factor in efforts to promote sustainable development and create jobs. The international community must therefore abide by WTO agreements and reject all forms of protectionism. Emerging markets and developing countries must also be given a stronger voice within the global financial system, which should be more tightly regulated with a view to enhancing its resilience to economic shocks. International financial organizations also had a key role to play in development and poverty eradication, and global investment rules should be strengthened so that

capital was more efficiently allocated to pro-development initiatives. Developing countries should be granted debt relief and enhanced market access and offered capacity-building support. The post-2015 development agenda must focus on eradicating poverty, promoting socioeconomic progress and fostering inclusive growth and development that safeguarded the environment. China would continue to promote sustainable development domestically, which, in turn would enhance global opportunities and help to strengthen the world economy.

49. **Mr. Weisleder** (Observer for Costa Rica), speaking on behalf of the Community of Latin American and Caribbean States (CELAC), said that even though the global economy had grown in 2013 and was forecast to expand even further in 2014 and 2015, unemployment remained dangerously high in several countries, with youth unemployment posing a particularly difficult challenge for developing countries. In that connection, CELAC supported more energetic political action to mitigate risks and ensure sustainable economic recovery. Specifically, global fiscal policies should be fairer and more counter-cyclical, and support job creation.

50. Successful sustainable development required effective macroeconomic and social policies, a suitable political environment and an integrated global economy. The international context should take into account the different levels of development, priorities and capacities of developing countries, as well as the multidimensional nature of development processes. International monetary, financial and trade systems also needed to be improved through policies that created a stable macroeconomic climate to promote sustainable long-term growth, employment and a reduction in income inequality. ODA was a key to achieving internationally agreed development goals. It was therefore regrettable that only five developed countries had fulfilled their ODA commitments and that ODA had fallen for the second year in a row and for the second time ever.

51. Existing and future development goals should be linked to a global alliance for development that leveraged a combination of financial resources, transfers of technology and capacity-building, supported by concrete measures adopted by developed countries, with funding targets and deadlines over and above those set for ODA. Climate change was a major challenge and early capitalization of the Green Climate Fund, particularly by developed countries, as a means of financing climate change adaptation and mitigation, should be expedited. Developed countries should also reach the annual target of mobilizing $100 million by 2020 to meet the needs of developing countries.

52. Although major advances had been made in the area of debt relief, in particular through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, there was a need to move towards restructuring of the sovereign debt of developing countries, with the participation of all affected parties. The international community should promote responsible lending systems and improve debt management to assist countries that faced debt crises or had defaulted and were therefore unable to devote resources to sustainable development.

53. Transparency and good governance were needed to ensure the stability of the international financial system. That was particularly relevant in the case of rating agencies, whose efficiency and competence had to be enhanced. There was also a need for a balanced, ambitious and comprehensive outcome of the Doha Round of multilateral trade negotiations. It was critical to reduce distortions in trade, such as subsidies and non-tariff barriers, in order to set up a rules-based non-discriminatory trading system that took into account the interests of developing countries. That process should be coordinated with the reform of the Bretton Woods institutions, including of their governance structures, their representativeness and their legitimacy.

54. CELAC was disappointed with the lack of progress in the implementation of the 2010 reforms of the International Monetary Fund, which must reflect current realities and give a voice to developing countries in the decision-making process. The Fund must offer comprehensive, even-handed and flexible financial responses to the needs of its members without pro-cyclical conditionalities. It was important for developing countries to be involved in discussions on international monetary reform and the new arrangements for special drawing rights. Financing for development was a key to achieving internationally agreed goals, including the Millennium Development Goals, and implementing the post-2015 development agenda. CELAC therefore called for the establishment of a genuine global partnership, which should build on the Monterrey Consensus, the Doha Declaration and the Rio+20 outcome document.

55. **Mr. Laher** (South Africa) said that in spite of positive reports of growth, it was a matter of concern that the continued vulnerabilities of certain large economies had implications for the global economy. National budgets were under pressure and that had been detrimental to the social spending needed for development. The pace of poverty reduction had slowed and investment had declined in critical areas. The necessary emphasis on growth had to be accompanied by a reduction in inequalities if it was to be sustainable. The fact that sub-Saharan Africa was the second-fastest growing region in the world was a reflection of Africa's peace dividend and the fruit of the struggles of its people. However, slower growth in the global economy would adversely affect that region by leading to lower commodity prices, foreign investment, aid flows and remittances, and more volatile capital flows. Many African countries remained excessively dependent on commodities, and their pace of industrialization was hampered by poor infrastructure and entrenched inequalities. Policies adopted in some countries to reduce the impact of the economic crisis had had negative effects in other countries.

56. Reform of the Bretton Woods institutions was needed to make them more responsive and prevent financial and economic emergencies, while promoting development and meeting the needs of member countries, especially African countries, which needed a greater voice in international economic and financial governance. Because of its inclusiveness and legitimacy, the United Nations, acting through the Council, must play a central role in global economic and financial affairs. In the regard, the ongoing debate on the strengthening of the Council was of particular relevance.

Statements by intergovernmental representatives of institutional stakeholders

57. **Mr. Wibowo** (President of the Trade and Development Board, United Nations Conference on Trade and Development (UNCTAD)) said that the global economy was still struggling to find a path to sustained growth, with gross domestic product expanding from 2.2 per cent in 2013 and projected to reach around 3 per cent in both 2014 and 2015. Overall, growth was well below the pre-crisis level and was insufficient to resolve employment and fiscal problems in developed countries or tackle development challenges in developing countries. If growth remained weak, public debt would remain high, the quality of private debt might deteriorate, and long-term unemployment might become a structural characteristic of advanced economies. Developing countries would also be affected by declining commodity prices. Alternatively, some economies might reignite their private sectors through credit creation backed by stock-market and real-estate bubbles. On the other hand, that scenario might lead to a re-emergence of the imbalances and vulnerabilities that had characterized the pre-crisis growth pattern.

58. Another possibility was that financial shocks and instability might affect not only economies with vulnerable financial sectors but also more robust economies. A fourth scenario was that proactive coordination of demand-driven policies in a large number of countries would lead to balanced and sustainable growth, a more desirable outcome which would require different approaches in developed and developing countries. Low growth in developed countries was mainly the result of weak demand; there was therefore a need for policies geared towards increasing demand without creating asset bubbles, with special emphasis on income policies. Weak demand had adversely affected international trade and forced developing countries to reassess domestic and regional markets and South-South cooperation. In those countries, domestic demand had to come in part from productive investment that expanded the economic infrastructure and diversified the economy, improved productivity and supported social cohesion.

59. Achieving the post-2015 development goals would require increased investment in agriculture, infrastructure, climate mitigation and adaptation. Public finances could not meet those demands on their own and private investment, especially foreign direct investment, would be needed to fill the gap. Foreign direct investment in developing countries was already six times higher than ODA and also exceeded other private flows such as remittances. The private sector would be a vital partner of the public sector in efforts to direct investment towards sustainable development. Indeed, many innovative financing initiatives had already sprung up as a result of collaborative efforts involving the private sector and international organizations, foundations and non-governmental organizations. Nonetheless, those initiatives all faced challenges in raising funds for sustainable

development, channelling funds to sustainable development, and maximizing their impacts while mitigating their drawbacks, through public-private partnerships, for example. Much could be done in source countries to address those challenges, but developing countries would also need to help by setting up a pipeline of ready-to-invest projects and creating the right policy framework.

60. It might be useful to reflect on the role of the Council in promoting a global partnership for development. Millennium Development Goal 8 did not successfully address the gaps and weaknesses in the multilateral economic system that continued to hamper efforts to eradicate poverty and enhance development, especially in least developed countries. Discussions on a new partnership would need to address challenges to the operation of international trade, finance and production systems. Institutional reforms, especially in the financial sector, would need to be considered at the multilateral level. That would require a more inclusive system of global governance, as well as reforms in the areas of debt, long-term development funding and transfers of technology. In that connection, the Group of 20 had recently discussed measures to curb tax evasion by large international corporations. Progress in that area could help to advance the discussions on climate adaptation and mitigation, an issue which affected countries at all levels of development. The hope was that the discussion of partnerships would be matched by a discussion of policy space, a key issue for developing countries.

61. **Mr. Familiar Calderón** (Vice President and Corporate Secretary, World Bank Group and Acting Executive Secretary of the International Monetary Fund and World Bank Development Committee), reporting on the most recent meeting of the Development Committee, said that the Committee had discussed the global development context, including the green shoots of recovery that heralded a global economic recovery, as well as the challenges ahead. It had also considered the progress made in reviewing the World Bank Group Strategy, and in mainstreaming disaster risk management into its operational programmes with its member countries. It had recognized that fostering strong, inclusive and sustainable growth in the current interconnected global economy would require policy adjustments, coordination and communication.

62. The Committee had called on the World Bank Group and the International Monetary Fund to work with member countries to build sound economic policies, address underlying macroeconomic vulnerabilities, rebuild macroeconomic buffers, and strengthen prudential management of the financial system. That required macroeconomic stability, good governance, public investment, an enabling environment for private investment, a resilient infrastructure and improved access to finance. Social inclusion, enhanced income opportunities and full participation by all, including women and the marginalized, were also essential, as were improved skills, productivity and innovation. Environmental considerations needed to be integrated into policymaking and climate-smart policies could also generate growth and jobs.

63. The Committee had also discussed the intensive work undertaken in 2013 to reform the World Bank Group in order to make it fit for purpose and enable it to support member countries in achieving the Group’s new goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. In that connection, a new World Bank Group Strategy had been established, along with an institutional change agenda for its implementation. All member countries — whether advanced, low-income or emerging — had endorsed the changes taking place within the Bank, as reflected in the record $52 billion shareholder-approved replenishment of the International Development Association.

64. The Group’s Strategy and change process required public and private institutions to work together as “One World Bank Group” to strengthen the country engagement model through instruments such as the Systematic Country Diagnostic and the Country Partnership Framework. The Group was establishing global practices that would bring together development experts and ensure that development knowledge was made available to all member countries, and to strengthen the Group’s role in support of South-South and regional cooperation.

65. The Development Committee had recognized that implementation of the new Strategy would require better utilization of existing resources and an increase in financial capacity, and had therefore called on the Group to remain engaged with middle-income countries to help them address their development needs. It expected continued progress in the development of innovative approaches ad mechanisms

to mobilize additional financing, and called for increased investment in infrastructure, a prerequisite for growth, job creation and poverty reduction in all countries. The Committee had praised the Group for its initiatives to address regional drivers of fragility and conflict in the Sahel and Great Lakes regions of Africa, and for its role in helping to close infrastructure gaps in Africa. It had called for enhanced focus on the Middle East and North Africa, and support for Arab countries in transition.

66. Lastly, the Committee had expressed concern about the deteriorating humanitarian situation in the Central African Republic, South Sudan and the Syrian Arab Republic, and commended Governments for their generosity and families in neighbouring countries for hosting displaced persons at significant economic and social cost. It had called on the World Bank Group to continue working closely with the United Nations in defining the post-2015 development goals.

67. **Mr. McDonald** (Deputy Secretary of the International Monetary Fund and Acting Secretary of the International Monetary and Financial Committee) said that the global economy, which was characterized by interconnectedness, spillovers, spillbacks or feedback loops from various country policies, was strengthening, but the recovery was uneven and remained too weak for comfort, with geopolitical tensions injecting new concerns. Growth was strongest in the United States, supported by robust private demand and an easing of the short-term fiscal break. Nonetheless, the withdrawal of unconventional monetary support would have to be carefully managed and a durable fiscal path would have to be put in place by the Federal Reserve.

68. In the euro zone, the recovery was rather modest; it was stronger in the core countries but weaker in the southern countries; there might therefore be room for more monetary easing. In Japan, activity had been boosted by the “monetary easing” arrow of Abenomics, but sustained growth would require the activation of the other two arrows, namely structural reforms and fiscal stimulus. Economic activity in developing countries had picked up in the latter part of 2013. Stronger demand from advanced economies would support growth, but tighter financial conditions and market volatility would weigh on domestic demand. Asia and sub-Saharan Africa should continue to see the strongest growth, although in some countries rapid debt accumulation and the erosion of fiscal space would need to be watched. Arab countries in transition were being held back by a difficult socio-political context and needed support from the international community. Global growth was projected to improve further in 2014 and 2015 but income gains would be modest and unemployment would fall only gradually.

69. In that context, countries would have to boost their growth through structural reforms and accommodative fiscal policies. The Fund would help them in that regard through its analytical work in a range of areas. On monetary policies, it would consider the consequences of unwinding extraordinary monetary support by major central banks, and assist members in developing responses to a potentially protracted increase in capital flow and asset price volatility. In that context, the full range of financial facilities, including precautionary instruments, would remain available to members facing market actual or potential market pressures. The Fund would continue to work on calibrating fiscal policies to reduce public debt overhangs, support potential growth and mitigate policy uncertainty. It would also finalize operational reforms to its debt limits policy, advance reform options on sovereign debt restructuring, and contribute to the global debate on international tax spillovers. It would also provide policy advice on macro-critical issues related to ageing, environmental changes and inequality.

70. With regard to financial sector policies, the Fund would assess the global impact of regulatory fragmentation and extraterritoriality, advance the agenda on cross-border resolution regimes, and work with the Financial Stability Board and standard setters on shadow banking systems, including their determinants and their impact on financial stability. The Fund would also advise on potential macro-financial risks and policy responses; offer technical assistance and training on financial sector oversight by focusing on macro-prudential policy, supervision, and crisis management frameworks; and continue to address data gaps, including through the G20 Data Gaps Initiative and the Special Data Dissemination Standard Plus. On structural reforms, the priority would be on conducting further analysis of the importance of financial deepening in supporting growth, the impact of regulatory reform on long-term financing for infrastructure, small and medium enterprises, and options for dealing with the corporate debt overhang in Europe. For Arab countries in

transition, the focus would be on medium-term growth prospects, including the benefits of economic diversification and the link between revenue mobilization, growth and equity. For low-income countries, the analytical work would centre on ways to broaden economic growth and establish policy frameworks that enhanced stability through restructuring and diversification.

71. With regard to policy coordination and coherence, the Fund would support its membership through integrated surveillance, including cluster-based article IV consultations, the Fund's Spillover Report, and analytical work to strengthen the understanding of feedback channels. It would stress the need for some countries to internalize their policy spillovers and spillbacks. Work would also be undertaken to refine the external sector assessment methodology and to better integrate the annual Spillover External Sector reports, and staff vulnerability analysis with other surveillance outputs. The Fund would continue to emphasize the need for further structural action by surplus and deficit countries to ensure that declines in external and internal balances were sustained. It remained committed to finalizing the 15th General Review of Quotas and implementing the 2010 Quota and Governance Reform, boosting resources and better representing the changing dynamics amongst its shareholders. That reform had been endorsed by almost the entire Fund's membership, but needed to be ratified by the United States to enter into effect. The Fund therefore urged the United States to ratify the reform at the earliest opportunity.

72. **Mr. Yi** Xiaozhun (Deputy Director-General, World Trade Organization) said that sustainable development was a core objective of the World Trade Organization, which was committed to working with the United Nations and the Bretton Woods institutions to formulate the post-2015 development agenda. The challenge was how to achieve sustainable, inclusive and equitable economic growth while also combating inequality, promoting human rights and ensuring the planet's sustainability. In that regard, the World Trade Organization believed that trade was a key enabler of inclusive and sustainable development and must be afforded priority consideration in the post-2015 agenda.

73. Trade and an open, rules-based multilateral trading system could have a huge positive impact on development. Trade had already helped lift millions of people out of poverty and the Millennium Development Goal of halving the rate of extreme poverty by 2015 had been met well ahead of that deadline. Recent research had found that the economies of countries that had opened up to trade had grown by 4.5 per cent annually in the 1970s and 1980s, while countries that had closed their economies had seen average growth rates of only 0.7 per cent. China was a case in point. A period of radical reform, supported by the accession process of the World Trade Organization, had enabled it to cut its average tariffs from 42 per cent in 1992 to less than 10 per cent in 2014; its trade-weighted average tariff was slightly more than 4 per cent, the lowest among the big emerging economies. It had also managed to reduce its poverty levels from 60 per cent to 12 per cent between 1990 and 2010. Viet Nam, Samoa, Cabo Verde and the Maldives had also used trade to boost growth, slash rates of extreme poverty and achieve more inclusive socioeconomic development.

74. Trade also had a major impact on employment and could create higher quality jobs. In Western Europe, workers in export-focused companies collected a 10 to 20 per cent wage premium over the average wage. In sub-Saharan Africa, that figure rose to 34 per cent. However, for trade reforms to be effective, they must be implemented in tandem with supportive policies; countries where trade openness had failed to stimulate growth often suffered from unstable macroeconomic policies, weak property rights, inadequate public investment and political constraints. It was encouraging to see that, in the post-2015 process, trade had been highlighted as a cross-cutting issue which had real links with many other key areas, including poverty eradication, employment, infrastructure, investment, food security, the environment and even education and health. Consequently, trade must be an integral factor in the post-2015 development agenda.

75. The World Trade Organization was already working to bolster efforts to deliver the sustainable development goals, based on four principles. First, trade should be recognized more broadly as a development policy instrument and not just from a liberalization standpoint. Second, trade and the multilateral trading system should be recognized as enablers of socioeconomic development. In that connection, the World Trade Organization and its rules should be viewed as a way to create an enabling

environment and a necessary buffer for the post-2015 development agenda. Third, work concerning the Bali Ministerial Declaration and the Doha Round could support the delivery of the sustainable development goals, as exemplified by the work on financing. Fourth, the sustainable development goals should also promote policy coherence at the global level. Failure to place sufficient emphasis on the catalytic role of trade for the achievement of those goals would be a major setback for stakeholders striving to promote policy coherence.

76. Lastly, in discussions on integrating trade into the post-2015 agenda and the sustainable development goals, a number of important questions needed to be considered. Should trade in itself be a target or a set of related targets? If so, what were the most effective measures that policymakers could deploy to that end and what national policies could harness the catalytic power of trade to promote the common good?

The meeting rose at 1.10 p.m.