

# **Global Economic Governance and Development**

## *Australian Submission to the UN Department of Economic and Social Affairs*

### **1. Introduction**

The United Nations remains the world's pre-eminent forum for managing global crises. Australia's commitment to the United Nations is one of the three pillars of Australian foreign policy and stems from the belief that no country can address today's major challenges on its own. Australia has been instrumental in expanding the scope of the organisation from one of collective security, to being an agent for economic and social progress, and a protector of human rights.

Increasing globalisation, the onset of multiple crises, and the shifting balance of global power to our region the Asia-Pacific, are just some of the major challenges we face today. These challenges are increasingly complex, demanding new links between institutions and policy-making. The need for effective, global responses to these challenges is more urgent and necessary than ever before.

Australia believes global problems require global solutions. Australia is committed to working with the UN and its agencies, as well as working across national boundaries to forge creative solutions to common challenges.

### **2. Relevance of global economic governance for development**

An efficient and relevant architecture for global economic governance is key to achieving international development goals. There is no question that despite increases in global aid commitments<sup>1</sup> and good progress in implementing the aid effectiveness agenda, aid alone cannot achieve the Millennium Development Goals and address other critical development challenges. Other sources of public and private development finance are increasingly significant, including foreign direct investment, remittances and private flows.<sup>2</sup>

The 2002 Monterrey Conference on Financing for Development, its follow-up meeting in Doha in 2008 and international climate change negotiations have signalled a tide change in international thinking on financing for development. In addition, new players (including

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<sup>1</sup> The data shows an increase in global ODA being channelled through multilateral organisations (approx. 10 per cent of ODA in 2009, up from 8 per cent in 2005 — this was approx US\$36 billion from DAC members in 2009). However, overall contributions to UN agencies have remained fairly stable over this period (a relative decline).

<sup>2</sup> In 2009, officially recorded flows totalled over US\$414 billion worldwide, with more than three-quarters (US\$316 billion) sent to developing countries. In 22 countries, remittances were equal to more than 10 per cent of Gross Domestic Product (GDP) in 2009; in 11 countries they were equal to more than 20 per cent of GDP. On other sources of development assistance — private donors have continued to make a substantial contribution to development finance, reaching US\$223 billion in 2009, recovering from global financial crises levels (\$131 billion in 2008) but still below the pre-crisis peak of \$319 billion in 2007 (published by the Migration Policy Institute, using World Bank).

emerging economies and private funds) and ways of delivering development assistance (for example, South-South and triangular cooperation) have redefined previous parameters for international development.

The UN, with its broad system of global governance, has an important role in pursuing global economic governance that addresses these approaches to development. In particular, the UN's Economic and Social Council (ECOSOC) plays an important policy review role and facilitates dialogue on issues of economic and social development, as well as for implementation of the international development goals agreed at major United Nations conferences and summits, including the Millennium Development Goals. It also works to implement the global partnership for development set out in the United Nations Millennium Declaration, the Monterrey Consensus of the International Conference on Financing for Development and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation") and other major United Nations conferences and summits.

It is important, however, to also acknowledge 'the current range of institutions and forums and their functions in global economic governance.' The existing multilateral system has made important contributions to economic growth that many countries have enjoyed since the end of the Second World War. But new economic challenges and the pursuit of strong, balanced and sustainable growth and development require new responses and, sometimes, new fora for decision-making, for example, the Group of 20 (G20) Leaders' process.

### **3. The United Nations and the G20 relationship**

We see a number of important complementarities in the relationship between the UN and the G20.

Australia recognises the UN as the primary universal forum of states, while at the same time defining the G20 as the premier forum for international economic cooperation.

G20 Leaders in Pittsburgh (2009) agreed on the G20 as the premier forum for global economic cooperation. The members of the G20 account for 85 per cent of the global economy, 80 per cent of global trade, and two-thirds of the world's population. It maintains a balance between representativeness and effectiveness as a decision-making body. Its ability to react to rapid global economic developments and the decisiveness that it has displayed in coordinating global responses during the global financial and economic crisis have demonstrated its effectiveness as a forum for global economic cooperation. Importantly, this has been underscored by a spirit of cooperation and a sense of accountability. This common sense of purpose among all G20 member countries has been the cornerstone of its success.

Outreach to non-member countries is a significant and evolving priority for the G20. In addition to the five discretionary invitations to non-G20 countries by the G20 President each year, invitations to G20 events are also extended on an ad-hoc basis. The G20 President and individual G20 member countries also conduct outreach to non-G20 countries and to other regional and multilateral fora such as the 3G (Global Governance Group), PIF (Pacific Islands Forum) and CHOGM (Commonwealth Heads of Government Meeting) on issues under consideration in the G20.

As a G20 member, Australia actively engages in extensive outreach to non-G20 countries, bilaterally, both here in New York and by our Ministers and officials through our diplomatic network, and through regional and multilateral fora. Australia supports a structured program of outreach, including ensuring that important reforms agreed on by the G20 Leaders are implemented effectively and expeditiously. Australia will continue to conduct outreach, including through APEC (Asia Pacific Economic Cooperation), ASEAN (Association of South East Asian Nations), the EAS (East Asia Summit), the PIF (Pacific Islands Forum), CARICOM (Caribbean Community and Common Market) and CHOGM (Commonwealth Heads of Government Meeting), as well as being active within multilateral mechanisms such as the UN, IMF, World Bank, the OECD and WTO to ensure the concerns and voices of non-G20 countries, particularly those of small states, are recognised by the G20.

The G20 has demonstrated its effectiveness in providing political impetus at the highest level of Leaders. A sense of accountability for its promises continues to ensure that the G20 delivers on its commitments. This political will has driven the G20's implementation efforts. These efforts have been undertaken or supported by existing mechanisms within the UN system such as the IMF and the World Bank.

#### **4. G20 and Development**

Australia also sees value in, and has been supportive of, a discrete role for the G20 in development, focussed on economic cooperation and coordination.

For the G20 to maximise its development impact and maintain its legitimacy with non-G20 countries, it must focus on areas where coordinated actions will deliver tangible outcomes. The G20 should not duplicate efforts of traditional aid and development forums (such as the UN and OECD), or regional or bilateral activities targeting reform at the individual country level. Rather the opportunity exists for the G20 to carve its own niche in the development arena, where it has the most impact, influence and capacity, not limited to systemic challenges requiring coordinated action to promote sustainable economic growth.

While the G20 remains vigilant in light of the still fragile global economy, discussions have also shifted to achieving strong, sustainable and balanced global growth and 'how to reduce the impacts of global economic shocks on the world's most vulnerable communities'. In these discussions, there is widespread agreement that a focus on development is critical. First, there is agreement that non-G20 countries have a clear role to play in global rebalancing. Second, there is a recognition that the G20 needs to pay more attention to global equity concerns, including a focus on 'shared growth', jobs, food security, social protection and financial inclusion.

As part of its efforts to improve the G20's specific added-value on development, Australia has prioritised three out of the nine G20 development 'pillars' endorsed in the Seoul Development Consensus (the framework for taking forward G20 action on development): infrastructure, food security, and growth with resilience (which covers social protection and remittances). These three 'pillars' play to the G20's strengths as a forum that delivers economic coordination and ensure that the G20 development work includes areas that are relevant to low income countries, such as food security and social protection.

The IMF and the World Bank play important roles in the G20 Framework Mutual Assessment Process. The G20 Framework for Growth forms the foundation for coordinated efforts to generate strong, sustainable and balanced global growth. The World Bank in particular continues to play a key role in helping to deliver the G20 development agenda.

In addition to the IMF and World Bank, several other UN agencies (including the International Labour Organisation, the Food and Agriculture Organisation and the United Nations Development Programme) are involved in, and provide valuable inputs to the G20's development work, complementing activities undertaken in other international fora.

## **5. The IMF and World Bank**

As membership based organisations, each representing a near-universal membership of 187 countries, the IMF and World Bank are accountable to their member countries. Much has been achieved in enhancing this accountability. The recently agreed governance reforms at the IMF and the World Bank, achieved with the assistance of the G20, are an important step to enhance the voice and representation of emerging market and developing countries in those institutions. This will more accurately reflect their changing weight in the world economy.

More generally, these historic reforms will help strengthen the relevance, effectiveness and legitimacy of the two institutions. However, further governance reforms at the IMF and World Bank remain a priority, including enhancing the engagement of ministers in decision-making at these institutions. This is a process that must continue to be driven by the membership of the IMF and World Bank.