

Special High-level Meeting of ECOSOC with the BWIs, WTO and UNCTAD



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ECOSOC dialogue with the BWIs, WTO and UNCTAD addresses challenges of economic growth, job creation and sustainable development

Overview

The 2012 Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD featured a productive dialogue between UN delegates and senior officials from major institutional stakeholders, as well as representatives of civil society and the business sector. A significant number of Executive and Alternate Directors of the Boards of the World Bank (22) and IMF (5) as well as senior managers of those institutions, including two Vice-Presidents of the World Bank, participated in the discussion and expressed strong interest in promoting closer relations with ECOSOC. The special significance of this year's meeting was that it was held in the run up to the two major UN conferences on development issues, namely, UNCTAD XIII and Rio+20.

The Council had before it a note by the Secretary-General on the overall theme of the meeting “*Coherence, coordination and cooperation in the context of Financing for Development*” (E/2012/7). The Secretary-General addressed the meeting. Following a short opening plenary with brief statements by the President of ECOSOC and representatives of relevant intergovernmental bodies, the meeting consisted of informal thematic debates on the following topics: (1) “*Promoting sustained, inclusive and equitable economic growth, job creation, productive investment and trade*”; and (2) “*Financing of sustainable development*”.

Opening plenary



At the outset, the **President of ECOSOC, H.E. Mr. Milos Koterec (Slovakia)**, stated that promotion of economic growth and job creation required actions at the national level, such as establishing effective tax systems, enhancing access of the poor to basic financial and non-financial services, promoting private sector development and facilitating productive investment in both physical and social infrastructure. Yet, these efforts of developing countries should be supplemented with considerable support from the international



For further Information

Please refer to the Financing for Development Web site at www.un.org/esa/ffd/ecosoc/springmeetings/2012/index.htm.

community through official development assistance, measures to ensure debt sustainability, a more equitable and universal trading system and a more effective framework of global economic governance. Moreover, the transfer of new green technologies to developing countries and financing from both public and private sources would need to be significantly scaled up for a transition to a green economy. The speaker concluded that the international community was faced with a wide range of interrelated economic, social and environmental challenges and that ECOSOC was well-placed to serve as the pivotal forum to address them.



The Secretary-General highlighted that declining prospects for economic growth, weak global labour markets and environmental degradation called for decisive action to invest in people and green technology. Promoting decent jobs with decent incomes would boost purchasing power

and global demand. In particular, small and medium enterprises were responsible for most employment and income generation opportunities. ODA continued to be of critical importance in many poor developing countries, while greater attention needed to be given to the principles of responsible borrowing and lending. To move forward, the international community should address the building blocks of sustainable development – from food and nutrition security to sustainable energy and universal access to safe drinking water and sanitation for all. To provide sufficient resources, a mix of public and private finance would be needed. At the international level, measures to scale up financing for sustainable development should facilitate the free or low cost access to technology. The Secretary-General called for climate mitigation and adaptation action on the ground, which would set public and private funds on a trajectory to reach the agreed \$100 billion by 2020.

The statement of the **President of the General Assembly, H.E. Mr. Nassir Abdulaziz Al-Nazzer**, was delivered by his Chef de Cabinet, H.E. Dr. Mutlaq Al-Qahtani. “Both developing and developed countries are struggling with the impacts of the global financial and economic crisis,” the statement read, while “we are facing the defining challenge of the 21st century: How to build a sustainable future”. To discuss the current economic and financial developments and challenges, the President of the General Assembly together with the Secretary-General will hold a high-level thematic debate next May. UNCTAD XIII will provide an opportunity for much needed reflection on the impact of the crisis on trade and development, in particular for developing countries. The UN Conference on Sustainable Development will provide a historic opportunity to

catalyze a more equitable, resilient, low-carbon economy. Overall, the legitimacy of the United Nations confers incomparable value to its discussions, negotiated agreements and operational activities.

The President of the Trade and Development Board of UNCTAD, H.E. Mr. Anthony Mothae Maruping (Lesotho), highlighted that the effects of the financial and economic crisis continued to have an adverse impact on developing countries, especially LDCs. He called for bold, coordinated and coherent approaches to address the global financial and economic problems. Monetary, exchange rate, fiscal and incomes policy instruments should be applied with the right mix, timing, dosage and in a coherent manner. All forms of financing for developing countries, namely, ODA, FDI, sovereign debt management, remittances and domestic resources should be brought into play. Aid for Trade, in particular, should be intensified. UNCTAD XIII will address the theme: “Development-centered globalization: Towards inclusive and sustainable growth and development”.

The Vice President and Secretary of the Board of the World Bank, Mr. Jorge Familiar Calderon, speaking in his capacity as Acting Secretary of the Development Committee, noted the importance of enhancing the cooperation with ECOSOC towards achieving greater cohesion and results. He reaffirmed the World Bank’s commitment to working cooperatively to achieve the MDGs by 2015 and supporting the poor in developing countries through the current period of instability and in the long term. In this spirit, the World Bank Group had committed nearly \$200 billion to developing countries over the last four years. The upcoming Development Committee meeting will be held under the overarching theme of poverty reduction and economic growth in the face of global economic challenges. He also highlighted the importance of the private sector for advancing job creation and economic development.

Mr. Jianhai Lin, Secretary of the International Monetary and Financial Committee of the IMF, outlined key developments and reforms over the past year in four areas: (i) financial support to member countries; (ii) policy analysis and advice; (iii) technical assistance; and (iv) governance reforms. The IMF work agenda aims to develop and coordinate solutions to global challenges and covers many interrelated areas, such as multilateral surveillance, global safety net, supporting low-income countries, strengthening international monetary system, and further governance reform, he said. The speaker concluded that, while much had been accomplished last year, a lot remained to be done and the forthcoming meeting of the IMFC should provide an opportunity to redouble efforts to tackle those global challenges.

Mr. Shishir Priyadarshi, Director of the Development Division in the WTO, highlighted that the current meeting could make a contribution to the elaboration of the post-2015 global development agenda. That agenda must include sustainable, inclusive and equitable economic growth as one of its key elements. According to the speaker, trade remained one of the most important engines of national, regional and global growth. However, coordinated action was needed to prevent protectionism and to address the structural problems underpinning the persistent unemployment, static growth and unstable financial markets. The international community must come together to ensure that all countries, including the weaker developing countries, can benefit from trade. In this context, Aid for Trade continued to make a crucial contribution. The challenge ahead of WTO Members in the long run was to conclude the Doha Development Round. In the meantime, the international community must deliver on areas where convergence can be reached, such as LDC-related issues like trade facilitation.

Thematic debate on “Promoting sustained, inclusive and equitable economic growth, job creation, productive investment and trade”

The first thematic debate featured presentations by Mr. Martin Rama, Director and Lead Author of the *World Development Report 2013: Jobs*, World Bank; Mr. Heiner Flassbeck, Director, Division on Globalization and Development Strategies, UNCTAD; Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, UN-DESA; Mr. Shishir Priyadarshi, Director, Development Division, WTO; and Mr. Rob Vos, Director, Development Policy and Analysis Division, UN-DESA.



Mr. Martin Rama outlined the substantive focus, preparatory process and expected outcomes of the upcoming

World Bank’s flagship publication, *World Development Report 2013 on Jobs*. The speaker underlined that recent world events, including the global economic crisis, had highlighted that jobs were at the center of development, due to their impacts on living standards, productivity and social cohesion. Rethinking development policies through the jobs lens helped address the difficult questions before developing countries. The speaker highlighted that the expected outcomes of the report would include a framework for analysis that, without focusing exclusively on wage employment and labor markets, could provide a practical typology of jobs challenges around the world, thereby helping practitioners identify priorities.

Mr. Heiner Flassbeck focused his presentation on “*Inclusion and Participation: A New Agenda for the Globalised Economy*”. The speaker highlighted that employment cycles were very closely associated with output growth cycles. He therefore concluded that growth and investment, rather than wages, were the critical drivers of employment. The speaker emphasized the benefits of more heterodox macroeconomic policies for job creation. The last decades had shown that expansionary monetary policies like those adopted in East and South-East Asian countries encouraged domestic demand more effectively than policies that sought to prevent inflation by keeping real interest rates consistently higher than growth rates (like those adopted in parts of Latin America and Africa).

Mr. Jomo Kwame Sundaram asserted that, given the fragile recovery from the world financial and economic crisis, Governments needed to boost domestic demand in the short run by investing in infrastructure, renewable energy, food production, health, education and social protection. Moreover, assistance was necessary for developing countries, especially LDCs, to improve their productive capacity and access to markets. The speaker called for a new social compact within and among nations to rebuild the trust and cooperation necessary for sustained and inclusive growth and productive job creation. In view of the modest progress made since the crisis began, he argued that such a spirit of cooperation was more needed than ever.

Mr. Shishir Priyadarshi said it was imperative that the international community implement an agenda which linked growth to environmental sustainability. Addressing this challenge required development partnerships and global rules not only on trade, but also on climate change, food security and natural resources. The speaker underscored the crucial role of building trade capacity through enhanced and targeted aid for trade and technical assis-

tance. Global value chains meant that countries would increasingly have to look at domestic regulatory mechanisms, such as those related to intellectual property, competition policy, banking and investment regulations, and procurement policy.

Mr. Rob Vos emphasized that the world economy was currently at a critical juncture. There was the risk of a double-dip recession in major developed economies. Persistent high unemployment and the contagion of the sovereign debt crisis, combined with fragility in the banking sector, were major downside risks. In order to deal with the global jobs crisis, the speaker underscored that policy responses should avoid premature fiscal austerity and provide more short-term stimulus. Policy measures required a more forceful international coordination and should promote job creation and investments in sustainable development, infrastructure related to renewable energy, sustainable agriculture and economic diversification, and enhanced market access and adequate development finance for low-income countries.

During the **discussion**, many speakers stressed that job creation was at the heart of development and poverty eradication. There was an urgent need to rethink economic and development policies through the jobs lens. In that regard, some participants pointed out that the social impact of employment also deserved consideration. For instance, job creation may under certain circumstances enhance the economic and financial inclusion of women and serve to reduce crime. Moreover, it was argued that the definition of employment should not include those jobs that contravene the human rights of workers.

Several participants emphasized the need for effective policies at the national level to promote sustained and inclusive growth and employment. Such policies should include investment in social and physical infrastructure, education, health and social protection. The importance of sound fiscal and monetary policies was also stressed. A number of delegations also argued that country-specific and regional circumstances should be taken into account when devising appropriate policies.

Small and medium enterprises (SMEs) were identified by many speakers as an important driver of employment. It was pointed out that SMEs in many countries had been hit hard by the economic and financial crisis and urgently required assistance. According to some participants, SMEs would benefit from policies to improve the legal and regulatory environment facing businesses, measures to enhance the provision of trade finance, and efforts to strengthen their access to financial services.

Some speakers stressed that foreign direct investment (FDI) was a vital complement to national development ef-

forts and contributed to the financing of long-term economic growth. However, in order to maximize its development impact, FDI needed to be coupled with favourable domestic policies and local economic opportunities.

Some speakers highlighted the importance of having a universal, rules-based, open, non-discriminatory and equitable multilateral trading system. There were also numerous calls on countries to refrain from protectionist measures. A timely completion of the Doha Round of multilateral trade negotiations would support growth of global trade and new market access opportunities for developing countries. Aid for Trade should help enhance supply-side capacities and trade-related infrastructure, particularly in LDCs. It was also important to implement the decision to grant duty-free and quota-free market access for all LDC products.

It was pointed out that many larger donors remained below the ODA target of 0.7 per cent of GNI. One speaker emphasized that the Busan High-level Forum on Aid Effectiveness was a key event in strengthening the effectiveness of development cooperation. In addition, the potential of innovative financing mechanisms to complement traditional ODA was underscored.

Amid sovereign debt and banking risks in some advanced economies, a number of participants emphasized the need for an international debt workout mechanism.

Some speakers emphasized the importance of economic and financial stability at the global level. In that regard, the need to further reform and strengthen the international financial and monetary system, in particular in the areas of financial regulation and multilateral surveillance, was stressed.

Several speakers emphasized the need for a more forceful coordination of international economic policies in support of growth and employment. In particular, they referred to the timing of fiscal policies and avoiding premature fiscal consolidation. In addition, the need for enhanced engagement between the UN, the BWIs, the WTO and the G20 was underscored.

Some interventions highlighted the role of efficient tax systems in generating revenues to invest in growth and jobs. In that regard, there was a need to strengthen international tax cooperation, including through the UN Committee of Experts on International Cooperation in Tax Matters.

Some delegations called for a strengthening of the Financing for Development follow-up process, which should be more results-based and include policy reviews at the country level.

Thematic debate on “Financing of sustainable development”



The second thematic debate featured presentations by Ms. Rachel Kyte, Vice-President, Sustainable Development Network, World Bank; Ms. Marianne Fay, Chief Economist for Sustainable Development and Lead Author of the World Bank Green Growth Report; Mr. David O'Connor, Chief, Policy Analysis and Network Branch, Division for Sustainable Development, UN-DESA; and Mr. Michael Clark, Inter-regional Advisor, UNCTAD.

Ms. Rachel Kyte highlighted that 20 years after Rio the world was a different place. Countries had made substantial progress in reducing extreme poverty but faced greater environmental challenges through expanded global consumption. Rio+20 must embrace the opportunity to rise to the challenge for a transformation towards a sustainable future for all. The speaker delineated a framework for action in the run up to Rio+20. States should strive for agreements on development strategies consistent with the concept of green and more inclusive growth. She further called for the implementation of a global methodology and process for incorporating natural capital and ecosystems into national accounts at the latest by 2030. Moreover, the nexus between food, water and energy also had to be tackled to ensure a triple win of higher agricultural yields, enhanced livelihoods and climate change mitigation.

Ms. Marianne Fay stated that green growth was not a new paradigm but aimed to operationalize sustainable development by enabling developing countries to achieve robust growth without locking themselves into unsustainable patterns. She argued that despite the fact that green growth was necessary, efficient and feasible, its implementation was challenging because of governance failures, entrenched behaviour and financing constraints. In that sense, tailored strategies to promote smart behaviour and

tackle upfront financing needs were required. Smart prices and regulation policies should aim to get “prices” right but recognize political economy constraints and create alternatives to improve price elasticity. In terms of resources, she highlighted the potential of financing mechanisms that leverage resources from international financial institutions, engage private banks and local governments and impose charges on environmental services.

Mr. David O'Connor recalled that the flows from current sources of finance were clearly insufficient to meet the requirements for a transition to a green economy. There was a need to explore innovative sources of finance for sustainable development and to acknowledge large pools of private and mixed capital waiting to be redirected. Risk instruments could play a critical part in leveraging private investment through subsidizing investments, employing risk mitigation tools, altering payback periods and co-investing. The wide range of existing channels that currently delivered public and private finance for sustainable development could be extended, streamlined or consolidated. Finally, financial market governance needed to be reformed to promote long-term, sustainable investment.

Mr. Michael Clark presented a new approach to facilitate North-South technology sharing. Developing countries wanted to participate in the technologies of the 21st century. In that context, he proposed to adopt a firm-level, commercial approach to technology sharing. In the case of developing countries, the cost of access should not be charged until the technologies become commercially viable. To achieve necessary market scale, an open-ended convention with a minimum critical mass of participants could be instrumental, together with a patent pool to acquire licensing rights for the relevant technologies. According to that scenario, holders of Intellectual Property Rights (IPR) would get new large-scale markets, cost-sharing partners and IPR protection. At the same time, developing countries would receive low-cost access to technologies and insertion into knowledge cycles at the pre-commercial stage.

In the **discussion** that followed, many speakers emphasized that environmental damages had reached the scale at which they were threatening both economic growth prospects and progress in social areas. In that context, speakers emphasized that Rio+20 would provide an opportunity for renewed political commitment to sustainable development. The integration of social, environmental and economic pillars was mentioned as the major challenge of Rio+20. Productive capacity could be the common factor to bring them together.

There were calls for a practical agreement that would allow for forward-looking emphasis on action. Moreover, speakers highlighted that Rio+20 should deliver a discreet set of sustainable development goals, including sanitation, water and biodiversity indicators, which could foster the transition to sustainable growth.

The mobilization of new, additional, stable and predictable financial resources to support implementation activities in developing countries was supported as a priority in the preparation for Rio+20. Many speakers highlighted that donor countries should deliver on their ODA commitments.

Moreover, delivery of this assistance should be aligned with development priorities in recipient countries and should be geared to the countries that needed it most. Innovative sources of finance such as guarantees, financial transaction taxes, diaspora bonds, carbon taxes and air flight levies, were further mentioned as potential sources of new and enhanced funds.

Many speakers emphasized the need for prioritizing the provision of financial resources, technology transfer and capacity building in line with national development priorities. Several participants emphasized that leapfrogging in technological terms could facilitate the transition to green growth. In that context, it was stressed that the removal of barriers to trade was a cost effective way to get access to technology.

There were calls for a rules-based trading system that was open and non-discriminatory and in which countries desist from protectionist policies. Several speakers highlighted the financialization of commodity markets as a major disturbance and calls were made to regulate it appropriately.

Some participants highlighted the need to avoid getting locked in non-sustainable investments in urban planning and infrastructure, as well as the irreversibility of environmental damages. Green growth policies needed to focus on policies to sustain robust growth without locking economies into unsustainable production and consumption patterns.

It was stated that governance failures, entrenched behaviour and financing constraints were core challenges to green growth. Speakers highlighted that there were political challenges in terms of entrenched interests in changing the way of economic policy formulation and implementation.

Several speakers emphasized that national development strategies should become green and more inclusive. A number of participants said that there was a need for

valuation on natural wealth and ecosystems in national accounts. The environment should be considered a production input as its protection could decrease natural disasters, bolster resilience and create new markets.

Some speakers emphasized the importance of effective risk-mitigation or revenue-enhancing instruments in the public sector, which would help attract environmentally and socially sustainable private investment. Complementary public policies were needed so that the poor could benefit as well.

The particular vulnerabilities of Small Island Development States were highlighted and there was a call to enhance their fiscal space and debt sustainability through increased access to concessional finance.

Finally, some speakers emphasized that instead of creating a new institution for sustainable development there should be an effort among institutions to work better together, with ECOSOC playing a facilitating role.

Closing of the meeting

In his concluding remarks, the President of ECOSOC put forward the idea of setting up a joint Working Group that would look into how to increase collaboration and cooperation between ECOSOC and the major institutional stakeholders of the Financing for Development process. This proposal came out of informal consultations between a group of participating UN Ambassadors, Executive Directors of the World Bank and the IMF and other high-level officials from the institutional stakeholders on how to enhance coordination between all stakeholders of the Monterrey follow-up process, including in the area of financing sustainable development. There was also a proposal to hold more frequent meetings during the year between ECOSOC and the major institutional stakeholders to increase coherence, cooperation and coordination in the context of the Financing for Development follow up process.

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Full summary by the President of ECOSOC will be issued as an official UN document, which will serve as the meeting's outcome and an input to the Substantive session of the Council in July 2012 and the 67th session of the General Assembly. All materials are posted on the web page of the meeting at: <http://www.un.org/esa/ffd/ecosoc//spring-meetings/2012/index.htm>.