

Achieving Sustainable Development and Promoting Development Cooperation



Dialogues at the Economic and Social Council



United Nations

Department of Economic and Social Affairs
Office for ECOSOC Support and Coordination

Achieving Sustainable Development and Promoting Development Cooperation

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Economic and Social Council



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NOTE

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DESA

The Department of Economic and Social Affairs of the United Nations Secretariat is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department works in three main interlinked areas: (i) it compiles, generates and analyses a wide range of economic, social and environmental data and information on which States Members of the United Nations draw to review common problems and to take stock of policy options; (ii) it facilitates the negotiations of Member States in many intergovernmental bodies on joint courses of action to address ongoing or emerging global challenges; and (iii) it advises interested Governments on the ways and means of translating policy frameworks developed in United Nations conferences and summits into programmes at the country level and, through technical assistance, helps build national capabilities.

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GLOSSARY OF ACRONYMS

ADP	Agricultural Development Programme
AIT	Asian Institute of Technology
AKST	Agricultural Knowledge, Science, and Technology
AMR	Annual Ministerial Review
ASEAN	Association of Southeast Asian Nations
BAU	Business As Usual
BPFA	Beijing Platform For Action
BWIs	Bretton Woods Institutions
CAADP	Comprehensive African Agricultural Development Programme
CAP	Common Agricultural Policy
CATA	Comite de Apoyo a los Trabajadores Agricolas
CBD	Convention on Biological Diversity
CBT	Community Based Training
CDM	Clean Development Mechanism
CEB	United Nations Chief Executives Board
CEDAW	United Nations Convention on the Elimination of All Forms of Discrimination Against Women
CGIAR	Consultative Group on International Agricultural Research
CIDA	Canadian International Development Agency
CIFOR	Center for International Forestry Research
CNIE	China NGO Network for International Exchanges
CO ₂	Carbon dioxide
CO _{2e}	CO ₂ equivalent
CONGO	Conference of NGOs
COP9	Convention on Biological Diversity
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DCF	Development Cooperation Forum
DESA	Department of Economic and Social Affairs
DFID	UK's Department for International Development
ECOSOC	Economic and Social Council
EEZ	Exclusive Economic Zone
ERSO	Experimental Reimbursable Seeding Operations
EU	European Union
EUEI	European Union Energy Initiative
EUWI	European Union Water Initiative
FAO	United Nations Food and Agriculture Organization
FDI	Foreign Direct Investment
FfD	Financing for Development
FLEGT	Forest Law Enforcement, Governance and Trade
FONAFIFO	Forestry Financing National Fund
FSC	Forest Stewardship Council
G-8	Group of Eight
GEF	Global Environment Facility
GEO	Global Environment Outlook
GDP	Gross Domestic Product
GFMD	Global Forum on Migration and Development
GHF	Global Housing Foundation

GHGs	Greenhouse Gases
GMOs	Genetically Modified Organisms
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HLF	High Level Forum
IAASTD	International Assessment of Agricultural Science and Technology for Development
IADGs	International Agreed development Goals
IASC	Inter Agency Standing Committee
ICC	International Chamber of Commerce
ICT	Information and Communications Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFIs	International Financial Institutions
IFPRI	International Food Policy Research Institute
IICA	Inter-American Institute for Cooperation on Agriculture
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IPCC	Intergovernmental Panel on Climate Change
IRENE	United Nations Informal Regional Network
ISTIC	International Centre for South-South Cooperation in Science, Technology and Innovation
IT	Information Technology
ITTO	International Tropical Timber Organization
IUCN	International Union for Conservation of Nature
IWRM	Integrated Water Resources Management
JAST	Joint Assistance Strategy for Tanzania
JPOI	Johannesburg Programme of Implementation
LEED	Leadership in Energy and Design
LDCs	Least Developed Countries
LIFDCs	Low Income Food Deficit Countries
MA	Millennium Ecosystem Assessment
MDGs	Millennium Development Goals
MGDS	Malawi Growth and Development Strategy
MKUKUTA	National Strategy for Growth and Reduction of Poverty of Tanzania
MKUZA	Zanzibar Strategy for Growth and Reduction of Poverty
MTSIP	Medium Term Strategic and Institutional Plan
NAMA	Non-Agricultural Market Access
NPES	National Poverty Eradication Strategy
NRM	Natural Resource Management
NVPs	National Voluntary Presentations
NEPAD	New Partnership for Africa's Development
NGOs	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OHRLLS	Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
OSAA	Office of the Special Advisor on Africa

OSAGI	Office of the Special Advisor on Gender Issues
PES	Payment of Environmental Services
PPP	Purchasing Power Parity
PRS	MDG-based Poverty Reduction Strategies
PRSP	Poverty Reduction Strategy Paper
R&D	Research and Development
SAPS	Structural Adjustments Programmes
SCP	Sustainable Consumption and Production
SIDS	Small Island Developing States
SMEs	Small and Medium Enterprises
S&T	Science and Technology
STI	Science, Technology and Innovation
TAS	Tanzania Assistance Strategy
TERI	The Energy and Resources Institute
TICAD	Tokyo International Conference on African Development
UK	United Kingdom
UIS	UNESCO Institute for Statistics
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDA	United Nations Development Agenda
UNDAF	United Nations Development Assistance Framework
UNDESA	United Nations Department of Social and Economic Affairs
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFIP	United Nations Fund for International Partnerships
UNFPA	United Nations Fund for Population Activities
UNHSP	United Nations Human Settlements Programme (UN-Habitat)
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNOP	United Nations Office for Partnerships
USAID	United States Agency for International Development
WESS	World Economic and Social Survey
WFP	World Food Programme
WHO	World Health Organization
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
WUF	World Urban Forum
WWF	World Wildlife Fund
ZPRP	Zanzibar Poverty Reduction Plan

PREFACE

In its 2008 High-level Segment held in New York from 30 June to 3 July 2008, the Economic and Social Council (ECOSOC) organized a series of panels and roundtable discussions on the theme of its second Annual Ministerial Review (AMR) on "Implementing the internationally agreed goals and commitments in regard to sustainable development". The Council also convened its first Biennial Development Cooperation Forum (DCF) which aimed to position ECOSOC as the principal venue for global dialogue and policy review on the effectiveness and coherence of international development cooperation, particularly in support of the achievement of the internationally agreed development goals, including the Millennium Development Goals (MDGs).

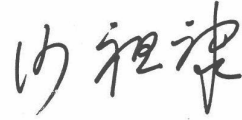
The candid and broad-based discussions at the DCF underscored the potential of the Forum as an inclusive and global venue for multi-stakeholders on key issues in development cooperation. Its success lay in the active and substantive participation of all stakeholders: Member States, the private sector, civil society and international organizations.

The Annual Ministerial Review sent a strong message that all efforts should be deployed to achieve the goal of sustainable development. The AMR opened new avenues – not only for enhancing accountability, but also for strengthening the global partnership, which is at the centre of the UN development agenda. For the first time, developed countries made national presentations and provided an opportunity to the Council for an open dialogue on their development cooperation policies.

The Ministerial Declaration adopted by ECOSOC at the end of its High-level Segment, focused on the actions that are needed, at national and international levels, to place the global economy on a firmer and more sustainable foundation. The Council recognized that the world is facing multiple challenges to realize the internationally agreed development goals, including the MDGs. In that context, Member States acknowledged that global financial instability, rising food and fuel prices, environmental degradation and climate change require early concerted action. They also reaffirmed their commitments to ensuring the achievement of sustainable development in all countries and to making that goal the central objective of national development strategies and international cooperation.

The material gathered in this publication provides a comprehensive view of the 2008 High-level Segment. It brings together the proceedings - statements, issues papers, summaries of roundtables and other discussions - of the ECOSOC session as well as the preparatory meetings of the Development Cooperation Forum and the outcome of the 2008 NGO Forum. This publication serves as a resource and a vehicle to review the work of the Council in fulfilling its mandate to monitor and follow up on the implementation of internationally agreed development goals, including the MDGs as well as the new functions of the Council.

I would urge Member States to implement the recommendations of the Council made this year on sustainable development. In my view, doing so could make a real difference in the lives of people. This will require major commitments of resources, strong cooperation and partnerships among all stakeholders. If these recommendations are consistently adopted as policy at the national level, ECOSOC will serve as an effective forum for finding lasting and durable solutions to the most pressing issues on the Council's agenda.



SHA ZUKANG
Under-Secretary-General for Economic and Social Affairs
United Nations

INTRODUCTION

This year's High-level Segment was a rich and productive session, which covered a range of topical issues, including the crisis in food and fuel, financial turmoil and the threat of climate change, especially in vulnerable countries. This session also marked the full implementation of two new mandates given to Economic and Social Council (ECOSOC) by the 2005 World Summit; in addition to the Second Annual Ministerial Review, the Council also convened the first Development Cooperation Forum (DCF), which highlighted issues relating to aid commitments, aid quality and effectiveness.

The opening session of the Council was enriched by the very compelling keynote addresses by the Nobel Laureate, Dr. Rajendra K. Pachauri and Lord Nicholas Stern on the need to urgently address the challenges of climate change. The opening session also set the stage for productive and interactive discussions during the high-level policy dialogue with the international financial and trade institutions on sustainable development in the context of climate change, development cooperation and the threats to the global economy. Participants emphasized the need for greater coordination among the institutions.

The first DCF was a success. An important objective was to establish ECOSOC as a principal forum for global dialogue and policy review on the effectiveness and coherence of international development cooperation. The participation of a large number of high-level delegations, including ministers and directors-general from diverse areas (development cooperation, foreign affairs, finance, economy, planning, social development and trade) and stakeholders, such as NGOs, local governments, parliamentarians and global funds, among others, confirmed the promise of the Forum as a universal and inclusive platform for dialogue. Keynote addresses by eminent personalities, such as Mr. Trevor Manuel, the Secretary-General's Special Envoy on Financing for Development, the European Commissioner, Mr. Louis Michel, and the Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, set the stage for frank and interactive debates.

The DCF has contributed to the Doha review conference on the International Conference on Financing for Development and the Accra High-level Forum on Aid Effectiveness. A summary of the DCF was forwarded to these two events so that the political messages from the Forum could have an impact on their decisions.

A key message of the Forum was the need to build a broader consensus around the aid effectiveness agenda. This would include promoting advances in such areas as untying aid, reducing conditionality or maximizing concessionality and predictability. Another message was that the implementation of the Accra Action Agenda will need to demonstrate that it goes beyond mere procedural changes by initiating real change in donor behavior towards sustainable development results.

The Forum was appraised of a report of the Secretary-General on "Trends and progress in international development cooperation". The report noted that progress on the global partnership for development has not been sufficient to ensure that development

cooperation would be in a position to produce rapid progress towards the realization of the internationally agreed development goals, including the Millennium Development Goals (MDGs). Most donors are not on track and are also not sufficiently planning ahead to meet the targets they have set for themselves. It also noted that increased flows from non-Development Assistance Committee sources are helping to diversify sources of financing while also adding to the complexity of international development cooperation. The report points to the fact that growing aid flows to the social sectors and governance have also mirrored declines in allocations to infrastructure and production. Particularly significant is the decline in agricultural aid, which has had clear consequences on the current food crisis. The report also urges all stakeholders to address the impact of climate change on the rural poor and to design and develop concrete, cost-effective adaptation programmes for them while mobilizing additional financial support to better assess and deal with the risks associated with climate change.

A number of factors account for the success of the first Development Cooperation Forum, including the high quality of the high-level symposiums held under the auspices of the Forum: the professionalism and political balance of the analytical work, including the Secretary-General's report; the ability to attract key development cooperation actors; and the strong public support from stakeholder groups, such as parliamentarians, civil society and local governments. The DCF, in fact, is seen as having established its comparative advantage in organizing multi-stakeholder consultations on aid issues.

At the same time, the Forum also faces several challenges. One is to strengthen the 'distinct identity' of the DCF as a leading global forum for dialogue among senior policy makers dealing with development cooperation at the country level. A related challenge is to further raise awareness of the DCF amongst practitioners at the country level, especially since adding experiences from the local level to the debate at the global level is a particular comparative advantage of the Forum. Overall, the promise of the DCF is clear. It has positioned the United Nations as a forum for in-depth discussions among a range of development cooperation stakeholders on development cooperation issues.

The 2008 Annual Ministerial Review (AMR) focused on sustainable development, which encompasses economic growth, social development and environmental protection. This year's Review was designed to help spur the efforts of countries to implement the global consensus on sustainable development at the national level and provided practical guidance to assist in those efforts. The AMR also served to advance the on-going work on climate change, which was also bolstered by the climate change and development event organized in the run up to the substantive session. This meeting discussed ways on how developing countries can cope with climate change and how to reduce the world's carbon footprint.

In his report to the Council on the theme of sustainable development, the Secretary-General underscored a number of principles, namely: (i) integration of the three pillars of sustainable development (economic growth, social development and protection of the environment) into national planning and policymaking is a difficult process but can, and should, be done; (ii) given the nature and scope of the sustainable development agenda, governments alone cannot meet all the challenges and, as such, the participation of civil society, local authorities, the private sector and the general public is critical to sustainable

development planning and implementation; (iii) climate change is the challenge of our lifetime and, if left unchecked, it may roll back hard-won progress in advancing the United Nations Development Agenda; (iv) adequate attention should be paid to fighting environmental deterioration, as this process could contribute to addressing climate change, as well as challenges related to poverty reduction and economic growth; and (v) greater efforts are required to promote the transfer of energy and resource-efficient modern technologies and affordable and renewable energy systems on a concessional and preferential bases.

One of the highlights of this year's AMR was the active participation of developed countries, namely: Belgium, Finland, Luxembourg and the United Kingdom in the national voluntary presentations (NVPs). It was seen as a step forward in promoting accountability in the fulfillment of international commitments in development cooperation and aid assistance. While volunteering developing countries Chile, Kazakhstan, Lao People's Democratic Republic and the United Republic of Tanzania shared their unique experiences in development, in particular, their success stories and the specific constraints to implementation at the country level, developed countries, on their part, acknowledged the gaps in their development cooperation strategies. The success of the NVPs is reflected in the large number of volunteers for 2009 and 2010. It is clear that the national presentations continue to be seen by Member States as a very important mechanism for strengthening accountability for the fulfillment of the development goals.

The AMR also examined the concept of ecosystems services and the potential benefits of these services for economic growth and sustainable development. Natural ecosystems have a fundamental role in providing goods and services on which humanity depends, for example, food and water, the regulation of climate, nutrient cycles and crop pollination. They also provide spiritual and recreational benefits and preserve diversity. The maintenance of healthy ecosystems is essential to achieve the goal of ensuring environmental sustainability, while improving the livelihood of the world's poorest, who depend mostly on fields, forests and waters. The roundtable looked at ways of promoting a proper valuation of the ecosystem services by markets and possible incentives to conserve ecosystems. Several case studies demonstrated that economic growth and sustainable development can be achieved together, including in least developed countries.

The choice of the theme "Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development, taking into account current challenges" for the thematic debate was very timely. It allowed the Council to follow up in concrete ways the outcome of its special meeting held in May 2008, and the FAO High-level Conference on World Food Security held in Rome in June 2008, which both addressed the global food crisis. Member States and other stakeholders in both meetings emphasized the importance of immediately boosting the production of food by smallholder farmers as a way to improve food security and improve livelihoods and the need to ensure that bioenergy does not compromise food security and negatively impact efforts to tackle climate change.

The report of the Secretary-General for the thematic debate highlighted new challenges that have emerged since the 2003 High-level Segment on Rural Development in the wake of the recent slowdown in the global economy and the financial crisis. The initial consequences of climate change and the onset of a global food crisis appear to jeopardize the success, so far, in fighting hunger and reaching the other MDGs. The report urged the international community to act swiftly to protect the most vulnerable against the rapid increase in food prices, while strengthening efforts over the medium to long term, to promote rural and agricultural development. For the medium and long term, high food prices, together with the heightened threat of climate change, require well-coordinated, coherent programmes to promote sustainable rural development, featuring agricultural productivity improvement. Some of the key aspects of the medium- to long-term responses include: increase in agricultural productivity; investment in infrastructure; provision of social protection; and investment in science and technology.

Two multistakeholder panels were convened to examine ways of harnessing the growth in agricultural commodities for poverty eradication and sustainable development and the use of bioenergy to promote food security and energy security, as well as mitigate climate change, while strengthening rural development. The first panel stressed the importance of revamping agriculture and development policies so as to create the right incentives for investment in agriculture. The international community could support developing countries' agricultural development, phase out subsidies to production and exports and ease access to new technologies. Special attention should be paid to women farmers because, despite women's critical role in food production, women received only 5 per cent of all agricultural extension services.

The second panel discussion looked at ways to ensure that the poor with smallholdings can benefit from the emerging opportunities in bioenergy. The panel agreed that there were some alternatives, such as jathropa and other crops that would allow integration into existing local agri-food systems without compromising food security or the environment. Particular attention was paid to the impact of biofuel production on women, so as to avoid their further marginalization in agricultural production. Consensus emerged that biofuel production could contribute to sustainable rural development, if it is efficient, well planned and managed, and if rights of poor rural people, including indigenous peoples, are recognized and respected.

The spirit of partnership was in clear evidence during the Council's session. As in the past, the ECOSOC NGO community participated actively. The Conference on NGOs held their annual NGO forum on the themes of the High-level Segment, AMR and DCF, and outlined a range of policy recommendations for the consideration by the ministers and other high-level officials during the Council's session. They also actively participated in the roundtables and other informal side events held during the session. Several city mayors represented local governments at various events. The Innovation Fair and other side events, such as the Ministerial Roundtable breakfasts also involved a wide range of ECOSOC stakeholders, including the United Nations system, civil society organizations and the private sector. These events have served to deepen the discussions and promote consensus building in partnership with key stakeholders on issues in the Council's agenda.

At the end of the High-level Segment, the Council adopted a Ministerial Declaration, which underscored the need for urgent, collective and collaborative action by all members of the international community in several areas of global concern, in particular, rising food prices and biodiversity loss.

A revitalized Council can make a difference. The DCF did, indeed, live up to the expectation and earned its place as a principal forum for a quality multistakeholder forum for dialogue on international development cooperation. The national voluntary presentations by developed and developing countries during the AMR demonstrate that all Member States see the added value of engaging with the Council. The reformed Council has been able to attract key actors working on a broad range of issues on the international development agenda. This is clear evidence that the reforms, which the Council instituted following the 2005 World Summit, have begun to bear fruit. Through its Development Cooperation Forum, its Annual Ministerial Review, a series of special events on topical issues, ECOSOC has been able to provide a platform for exchange. By bringing together different actors, with its multistakeholder approach, the Council has helped to forge consensus and provide coherent policy guidance on key issues on the international agenda. This approach should be maintained and further enhanced in the future.



H.E. Mr. Léo Mérorès
President of the Economic and Social Council
Ambassador and Permanent Representative of Haiti to the United Nations

Chapter 1

ACHIEVING SUSTAINABLE DEVELOPMENT

Overview

The Economic and Social Council (ECOSOC) organized its second Annual Ministerial Review (AMR) and first Development Cooperation Forum (DCF) during the High-level Segment in 2008. The two new functions of ECOSOC mandated by the 2005 World Summit are intended to advance the implementation of the United Nations Development Agenda (UNDA), including the Millennium Development Goals (MDGs) by the 2015 target date.

The AMR addressed the theme of "Implementing the internationally agreed goals and commitments in regard to sustainable development," and identified major challenges and the need to take actions. The DCF, a principal forum for promoting dialogue and partnership among various development partners, discussed the technical aspects of development cooperation issues with a view to contributing to discussions of the high-level development meetings in Accra, Ghana, and in Doha, Qatar, in 2008.

This chapter presents some of the challenges and actions considered at the AMR and DCF. The following is a synopsis of the contributions outlined in this chapter.

Mr. Sha Zukang, Under-Secretary-General for Economic and Social Affairs, delivering a message by the Secretary-General, said that despite demonstrable progress, the world is facing delays in reaching the goals of the United Nations development agenda. Moreover, new challenges require urgent attention and collective action. Such challenges include weaknesses in global financial markets that have led to the slowdown of the global economy and rising food and energy prices. Additional concerns about the threat of climate change, the deterioration of our natural environment, and continued skepticism regarding globalization due to rising inequalities must also be addressed. Mr. Sha also stressed the importance of strengthening the global partnership for development, and he welcomed the launch of the new Development Cooperation Forum.

H.E. Mr. Léo Mérorès, President of the Economic and Social Council, underscored the potential of the Development Cooperation Forum to facilitate inclusive policy dialogue and policy review on key development cooperation issues and to contribute to the Accra meeting on aid effectiveness and the Doha Conference on Financing for Development. He called on the Annual Ministerial Review to contribute to the latest efforts for promoting collective solutions, including strengthening governance, creating markets for sustainable development, strengthening global cooperation, increasing financial assistance and promoting transfer of technology.

Dr. Rajendra K. Pachauri, Chairman, Intergovernmental Panel on Climate Change, stressed the urgent need for mitigation of greenhouse gas emissions and highlighted potential targets. He emphasized that adaptation to the impacts of climate change and promotion of sustainable development share common goals and determinants, including building access to resources and equity; stocks of human and social capital; access to

risk-sharing mechanisms; and institutional capacity. In this connection, he underscored the importance of putting in place policies to improve sustainability and adaptive capacity, and called on the international community to contribute.

Lord Stern of Brentford, author of the Stern Review on the Economics of Climate Change, underlined that climate change and development are the two greatest challenges of our time. He said that if urgent actions are not taken, the situation could lead to massive migration and huge conflict over resources. He underlined the need to generate political will to put prudent policies into action, especially towards the low-carbon growth, and he made a proposal for stabilizing greenhouse gases levels.

Overcoming Global Obstacles to Achieve Development Goals¹

By Mr. Ban Ki-moon
Secretary-General
United Nations

Delivered by Mr. Sha Zukang
Under-Secretary-General for Economic and Social Affairs
United Nations

We are at a critical juncture in our implementation of the UN development agenda. Despite demonstrable progress, we confront delays in reaching the goals, coupled with new challenges, many of which require our urgent attention and collective action. Today is an occasion to focus on four of the most pressing challenges we face.

First, the fragile state of the major developed market economies, persistent global imbalances and soaring oil and non-oil commodity prices are slowing growth of the global economy. The financial turmoil of the past year is not incidental, but a reflection of systemic weaknesses in global financial markets. These conditions threaten to undermine efforts towards the development goals.

Second, rising food and energy prices are hitting hard on the livelihoods of poor and vulnerable people. Progress so far towards our developmental goals could easily be reversed if we do not find workable solutions to the twin crises in the food and energy markets.

Third, we are facing the profound threat of climate change and the deterioration of our natural environment. I believe that, if not addressed timely and adequately, this threat can bring all our development efforts to naught. It will bear down on the lives of our children and grandchildren. The pernicious impacts will be deep and pervasive.

Finally, scepticism about globalization continues. There has been concern for some time that globalization is leaving behind the vulnerable and poorest communities, and the added worry now is that the middle classes are beginning to feel the effects of a much more insecure world. No social or economic order is secure if it fails to benefit the majority of those who live under it. From this perspective, we all should have serious concerns about a system whose wealthiest 400 citizens command, as a group, more resources than its bottom billion. Yet we also need to beware of the risks of a severe backlash against globalization, which could significantly curtail the opportunities and benefits of a more closely integrated world.

At the same time, challenges also offer opportunities. Leaders, economists and bankers have come together to find short-term remedies to avert financial meltdown. They are also deliberating on long-term solutions to address the systemic inadequacies. The need

to engage all key actors in this process is widely recognized. We must persist in pursuing truly concerted action to redress the woes of the global economy. Only then may we hope that a more robust global financial system will emerge from this credit crisis.

I am also heartened by the collective efforts to deal with the food crisis. The Commission on Sustainable Development addressed agriculture and related issues at its annual session in May. ECOSOC itself launched a swift response by convening a special meeting to deal with the food crisis, which identified some key messages and actions that the international community needs to take. I have made efforts to mobilize the UN system and established the United Nations Task Force on the Global Food Crisis. Also, the High-level Conference on the World Food Security held earlier this month in Rome played a critical role in establishing a Comprehensive Framework for Action.

The food crisis has laid bare the need for longer-term planning to improve world food security. Food production needs to rise by 50 per cent by the year 2030 to meet the rising demand. We have a historic opportunity to revitalize agriculture, especially in developing countries where productivity gains have been slow in recent decades. By using small farm holders as a key vehicle to achieve global food security, we also have an historic opportunity to make marked progress towards eliminating rural poverty.

Efforts are already underway to bring together producers and consumers at the highest level to find a solution to the challenge of rising fuel prices. Yet, we also need to focus on long-term solutions, encouraging the sustainable production and use of efficient and clean sources of energy, more fuel efficient modern technologies, and changes in overall production and consumption patterns.

Unprecedented awareness of the scale and scope of the challenges of climate change has put the need for urgent collective action in sharp relief. In fact, public support for the whole sustainable development agenda is greater than ever before. This session of ECOSOC should give new impetus to the realization of our long-standing goal of achieving economic growth, social development and environmental protection in an integrated and balanced manner, which is the key to the prosperity of humankind.

While globalization may be an ineluctable fact of life, all governments have agreed, since the Millennium Declaration, to seek to manage globalization for the benefit of all. All countries certainly need policies and institutions that are flexible and tailored to their changing domestic and external circumstances and their individual challenges. We also need to ensure greater coherence in global policies in the areas of finance, trade, aid and investment. Fortunately, we have some critical opportunities this year to accelerate progress in strengthening the global partnership for development, including the Development Cooperation Forum, which will open its first-ever session this afternoon.

The Development Cooperation Forum should become the principal venue for global dialogue and policy review on the effectiveness and coherence of international development cooperation. The inclusion of all relevant development actors in the Forum process provides a unique opportunity to garner a wide range of inputs for a deepened dialogue and understanding of the international development cooperation agenda. These issues are vital to the achievement of all the internationally agreed development goals.

In my report on “Trends and progress in international development cooperation”, which will be introduced this afternoon, I have echoed the concern that the current aid effectiveness framework is not sufficiently responsive to development issues that cut across multiple sectors such as human rights, gender equality and environmental sustainability. The Development Cooperation Forum should give due attention to these cross-cutting imperatives.

On all of these fronts, we have to act together and urgently. ECOSOC has proved that it can spearhead such a concerted effort to find pragmatic solutions to complex challenges.

Last year, I witnessed the transformation of ECOSOC into an interactive forum where collective solutions to common as well as individual challenges were discussed and debated. This year, we will have even more of such dialogues and, of course, the inaugural session of the Development Cooperation Forum. I welcome the broad participation of parliamentarians, local governments and civil society. They are key partners in helping implement the development agenda and making aid effective at the country level. I congratulate all those countries that have volunteered for national presentations during the Annual Ministerial Review.

The strong legislative basis, the enthusiastic involvement of the UN system and the other development actors, will enable the Council to move forward with firm commitment and strong political will to implement.

Reaffirming Development Priorities: Uniting to Combat Obstacles to Progress²

H.E. Mr. Léo Mérorès
President of the Economic and Social Council
United Nations

This session of the Council is of special significance, particularly for two reasons. First, we are for the first time operationalizing all new functions of ECOSOC mandated by the 2005 World Summit. Secondly, we are meeting at a time when the world is grappling with emerging threats to the wave of prosperity and economic growth that we witnessed over the last decade or so.

In the wake of the rising price of food and fuel, the deepening credit crisis and persisting global imbalances, the declining growth of the world economy, we are facing serious threats to our efforts to lift people out of poverty growth. This crisis situation is further compounded by the challenges posed by climate change. The disruptive effects of climate change are already becoming apparent. This does not augur well for efforts to achieve the IADGs, including the MDGs.

Challenges for developing countries, particularly Least Developed Countries and Small Island Developing States are even more serious. There are risks of reversal of the gains made in the area of development over the last decade or so. In fact, some of the countries are already falling behind target dates for meeting the MDGs. Rising food and fuel prices are also leading to social unrest and instability. If we do not take urgent collective action then we may face turmoil in these countries.

Threats posed by climate change are existential in nature. Many island states may cease to exist if we do not grapple with the consequences of global warming, especially rising sea levels and increase in the number and intensity of natural disasters. Fortunately, there is a growing realization that measures should be adopted both for mitigation and adaptation to ameliorate the sufferings of these poor and vulnerable countries. But this realization and awareness should be supported by concrete, concerted and collective action. I believe that negotiation on post 2012 arrangements provide an opportunity to launch such action and also enhance financing for developing countries' efforts on adaptation.

In fact, only by taking a long-term perspective can we ensure the well-being of future as well as present generations. It is now more important than ever to put into practice the concept of sustainable development, which integrates economic growth, social development, and protection of the environment.

Despite increasing awareness on long-term sustainability problems, we have yet to witness significant movements on issues such as climate change, deforestation, biodiversity and desertification. The situation in these areas continues to deteriorate as we speak. This year's Annual Ministerial Review should contribute to the latest efforts for

promoting collective solutions, including strengthening governance, creating markets for sustainable development, strengthening global cooperation, increasing financial assistance and promoting transfer of technology.

I strongly believe that AMR can contribute to our efforts to generate a coherence response to these challenges of integrating the three elements of sustainable development. The current approach of pursuing development goals through sectoral approaches will never be enough to meet the threats posed by climate change. National governments as well as the UN system need to develop coherent and integrated approaches to development, which place the issue of sustainability at the center of development strategies. Given the growing constraints posed by shrinking natural resources base, it seems that if development is not sustainable, it is not attainable. I urge this session of AMR to send this message in unequivocal terms and issue a call for determined action.

Assessing progress and helping to narrow the gap in implementing the United Nations development agenda is an important role entrusted to the Council. The AMR provides a central forum for all stakeholders to assess progress in overall implementation of the internationally agreed development goals, including the MDGs.

Linking the discussion of policy options to specific country experiences have resulted in a more hands-on debate. The National Voluntary Presentations during the AMR provide an opportunity to share an assessment of the volunteering country's progress towards the achievement of the internationally agreed development goals and explore possibilities for addressing the lags in implementation. This year's AMR is also a manifestation of the growing partnership between developed and developing countries, especially in the pursuit of MDGs. This is perhaps for the first time that in a multilateral forum we have both developed and developing countries reviewing their efforts to realize the development goals in a timely manner. While they have their respective roles in this endeavour, this partnership is a key to our success in achieving these goals. I believe that both developed and developing countries have to assume their obligation in our collective pursuit of prosperity for all. This long cherished goal can only be realized through strengthened global cooperation.

I would like to congratulate governments of Belgium, Chile, United Kingdom, United Republic of Tanzania, Lao People's Democratic Republic, Luxembourg, Kazakhstan and Finland for volunteering this year. We look forward to their presentations and hope their presentations would pave the way for further strengthening the global partnership for development.

This year's AMR is also enriched by a regional perspective from West Asia. The regional consultation graciously hosted by the Government of the Kingdom of Bahrain, has produced recommendations for action on sustainable urbanization.

By systematically drawing upon regional consultations and country level assessments, the AMR will help bridge the gap between "where we ought to be" and "how much more we have to go". I am confident that the global discussions enriched by regional and national contributions will help in promoting the integration of the three elements of sustainable development.

The DCF is envisioned as an inclusive United Nations Forum for ensuring coherence in development cooperation to achieve the internationally agreed development goals. At a time of growing uncertainty regarding the timely realization of the Millennium Development Goals, the DCF is uniquely placed to facilitate policy dialogue among a wide range of development actors. Therein lies its potential to be a leading venue for inclusive global dialogue and policy review on key development cooperation issues.

The Stakeholder Forum in Rome and the high-level symposiums in Vienna and Cairo engaged parliamentarians and high-level representatives from civil society and local governments in an open and interactive dialogue on their roles in contributing to effective development cooperation. I thank the Governments of Italy, Austria and Egypt for hosting these important events.

The innovative modalities of cooperation established for the AMR and DCF have brought renewed dynamism to the implementation of development goals, by promoting greater interaction among the different constituencies. The inclusion of civil society organizations, parliamentarians as well as local government and private sector representatives is essential in sustaining the engagement and commitment of all stakeholders in bridging the implementation gap. The E-discussions, the Civil society forum and the Innovation Fair provide additional venues for all stakeholders to exchange ideas and experiences.

ECOSOC has become much more than just a month-long meeting in New York. The substantive session is a culmination of the various activities which took place in the last six months. Through the meeting on food crisis, the Council has shown that it can play an important role in highlighting the immediate humanitarian needs while emphasizing the need for long-term sustainable solutions. The special event on climate change in May brought together leading environment and development experts and explored the nexus between climate change and development.

These preparatory meetings coupled with the deliberation during the substantive session will lay a strong foundation for the forthcoming meetings. I see that both DCF and AMR have lot to contribute to the Accra meeting on aid effectiveness and the Doha Conference on Financing for Development. These conferences can benefit from the Council's thorough work based on extensive regional consultations, global consultative forums and above all its broad-based engagement, which provides all perspectives to multilateral deliberations. I believe that Council's deliberations and debates during this session would greatly enrich discussions and outcomes of the important development related conferences and events.

The Council has shown that it is increasingly becoming better equipped to assess progress on the ground and galvanize action at national, regional and international levels.

Battling Climate Change by Promoting Environmentally Sustainable Development³

Dr. Rajendra K. Pachauri
Chairman, Intergovernmental Panel on Climate Change
Director-General, The Energy and Resources Institute (TERI)

It is now becoming increasingly apparent that the global community, over several decades, has pursued a path of development which is clearly not sustainable. In the context of climate change, we are now getting increasing evidence, based on observations, based on data that is available, that the path of development that we have adopted is leading to consequences with changes in the climate that clearly have extremely harmful impacts and hold the potential for far more serious impacts in the future. The IPCC (the Intergovernmental Panel on Climate Change), which functions under the umbrella of the World Meteorological Organization and the United Nations Environment Program, has been able to come up with the Fourth Assessment Report which was released last year and how we have come up with a number of assessments of various aspects of climate change that go to the heart of this issue.

The work of the IPCC is guided by the mandate provided by WMO and UNEP, and its role is essentially to assess, on a comprehensive basis, objectively and transparently, the scientific, technical and socio-economic information relevant to understanding the scientific basis of climate change, its potential impacts and options for both adaptation as well as mitigation measures. The review and writing process of the IPCC is very extensive. Every draft of the report is carefully reviewed. The first draft is reviewed by expert reviewers, and governments and experts review the second draft of the report as well a draft summary for policy makers. Finally, the summary for policy makers of every report of the IPCC is reviewed and approved word by word by all the governments that are members of the IPCC. I want to place before this august gathering the elaborate, transparent and objective manner in which IPCC comes up with its assessment. By way of facts, the Fourth Assessment Report involved a total of 450 lead authors who actually wrote the report. In addition, we got inputs from 800 “contributing authors”. These are specialists who provide very specific inputs on highly specialized aspects of climate change to the authors who actually write the report. There were over 2500 scientific expert reviewers involved in the process. Every single comment that is received on the basis of these reviews is carefully logged and the authors have the choice of either accepting or rejecting each of these comments but they have to record which one was accepted and which one was not. Then, we have to record exactly why a particular comment was not accepted.

Let me now turn to some of the economic and social aspects of climate change. I want to refer to the large range of estimates of costs that we have carried out on the basis of the Fourth Assessment Report. If CO₂ concentration was to double, then we could get a loss of GDP ranging anywhere from 1.5 to 20 percent globally and I am sure this is something that Lord Stern of Brentford will address with much greater precision on the basis of the

work that he and his team have done. We also know that the cost of carbon could increase to a level anywhere between \$10 to \$350 per ton. The real social cost of carbon will rise from two to four percent per year. Now, the variation between studies is explained by uncertainties in climate sensitivity. Climate sensitivity is defined as the increase in temperature that would take place with doubling of carbon dioxide in the Earth's atmosphere. It is also dependent on discount rates, the valuation of impacts – and some of the impacts are so difficult to value in precise economic terms that we necessarily have to come up with a range of estimates. The aggregate estimates do mask significant differences in impacts across sectors and regions.

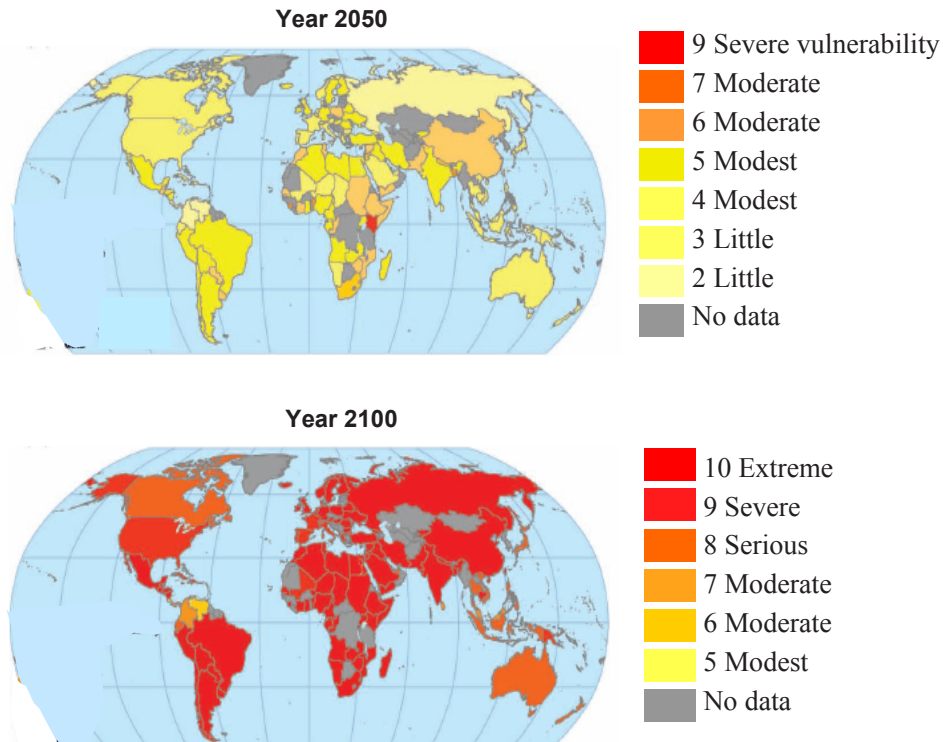
We in the IPCC feel very satisfied that in the Fourth Assessment Report we have been able to come up with a very clear estimation of physical and biological costs and impacts related to specific temperature increases that are going to take place in the future. And we have also been able to come up with a great deal of regional detail, because the impacts of climate change are clearly not uniform across the globe. To give an indication, the rate of warming itself is not uniform across the globe. The Arctic region, for instance, is warming at twice the rate of the average for the rest of the world. That is one of the reasons why the rate of melting of ice in the Arctic region is so rapid.

There are several impacts of climate change ranging from impacts on agriculture, on human health, on ecosystems, on species, on water resources. I would like to present before you some statistics in terms of estimates on what is likely to happen in the future. Around 1.1 to 3.2 billion people will experience increased water scarcity by 2080 as a result of climate change, and that's a very large number. Here, again, there are going to be several differences across different regions of the globe. Just to mention one single set of projections: by 2020 itself, we expect that in Africa anywhere from 75 to 250 million people will be affected by increased water stress as a result of climate change. Crop revenues are likely to fall by about 90 percent by the end of the century in several parts of Africa. Again, to give a specific projection, by 2020 there will be several countries in Africa that are likely to see a decline in agricultural yields by up to 50 percent as a result of climate change. There is now growing evidence, based on research that is being carried out, that some crops are extremely sensitive to temperature increases, but in addition, agriculture will also be affected by increasing frequency as well as intensity of floods, droughts, heat waves, and other such factors. We also know that 22-30 per cent of the species that we have assessed in the IPCC could be at risk of extinction if increases in warming exceed 1.5 to 2.5°C. I would term this as an abrupt and irreversible change. Just as if the Greenland or the Western Antarctic ice sheets were to collapse – and these are huge quantities of ice sitting on large areas of land several kilometers high – if any part of those were to collapse we could get sea level rise of several meters. That is clearly an abrupt and irreversible change.

Climate change, as we forecast, as we project into the future, does hold a potential for some of these abrupt and irreversible changes which can be quite devastating. These expressions of risk are determined fundamentally by location in time and space. This is what the work of the IPCC is. Our effort is to project what would happen at different points of time and in different locations, if we don't take any action. The vulnerability of different regions in the year 2050 is shown here in this map. This is the extent to which we can project the vulnerability of different regions. You would observe that there are

some regions where there are going to be modest to moderate expressions or indications of vulnerability. Then there are other regions which, of course, are much more severely affected. If we look at projections for the year 2100, then there's a very large area of the globe that would be suffering from extreme or severe vulnerability.

Figure 1: Distribution of Vulnerability



Therefore, it is for us, as a society, to ensure that we take actions to ensure that we never get anywhere close to this kind of outcome across the globe. What is it that we need to do? Well, we have to bring about very urgent mitigation of the emissions of greenhouse gasses. The IPCC has examined several stabilization scenarios, and I would like to bring to your attention one set of these scenarios. If we want to stabilize the total mean temperature increase between 2 to 2.4°C, then we would have to stabilize greenhouse gases in the Earth's atmosphere, in CO₂ equivalent terms, anywhere from 445 to 490 parts per million. That, incidentally, is roughly where we are today. If we were to do that, then we would have to ensure that emissions of greenhouse gasses peak no later than 2015. Beyond that date they will have to reduce very rapidly. Now, this gives us a window of opportunity of barely seven years. That is one reason why it is critically important that by the end of 2009, when the Conference of the Parties takes place in Copenhagen, the world has in place an agreement that ensures the rate of mitigation that is implied in the figures indicated here. There are some, of course, who now argue that

even a 2 to 2.4°C increase in temperature may be a bit too high. Therefore, we must be ambitious to reduce this particular limit that has been established for mitigation purposes.

Table 2: Mitigation Targets

Global mean temp. increase (°C)	Stabilization level (ppm CO ₂ -eq)	Year CO ₂ needs to peak
2.0 – 2.4	445 – 490	2000 – 2015
2.4 – 2.8	490 – 535	2000 – 2020
2.8 – 3.2	535 – 590	2010 – 2030
3.2 – 4.0	590 – 710	2020 – 2060

We know that the costs of mitigation are certainly not high. In fact, what we've estimated is a reduction of GDP of less than 0.12 percent annually. We also know that mitigation can result in several co-benefits. If we were to bring about mitigation of emissions of greenhouse gases, and this will involve more efficient and lower use of fossil fuels, we would certainly be adding to energy security globally. We would also be lowering local pollution – air pollution in particular – and this would add substantial health benefits. Also, if we were to move to greater use of renewable energy resources and the deployment of technologies for bringing that about, then clearly that would also bring about an increase in jobs and economic opportunities.

At the same time, it's important for us to realize that in-built into our system today, there is a certain inertia in terms of equipment, in terms of infrastructure, and even human attitudes. If we have to bring about the level of mitigation that is required, we have to start very early. Only then can we influence the course of events in terms of stabilizing the Earth's atmosphere. We have also found that all the stabilization levels that we have assessed can be achieved by deployment of a portfolio of technologies that are currently available or expected to be commercialized in coming decades. So, in other words, we can undertake this task with existing technologies and existing "know-how". Of course, over a period of time, we would have to ensure that there are appropriate incentives and a proper policy framework by which new technologies are developed and diffused through the economic system. We know that 60 to 80 percent of greenhouse gas reductions would come from energy supply and use and industrial processes. In the aggregate, we know today that de-carbonizing power production would require incremental investments of up to \$40 billion a year globally and \$30 billion a year in non-OECD countries where major expansion of capacity is taking place. But, we could offset these through reduced investment requirements resulting from improved energy use efficiency. We could mention that increased global investment of \$2.4 trillion in improved efficiency would be more than offset by \$3 trillion in savings from energy investments. Hence, improvements in energy efficiency are clearly a viable set of options that we must deploy as soon as possible.

Now, I would like to indicate the link between actions that are required for climate change and the means by which we attain sustainable development. Adaptation measures for the impacts of climate change and promotion of sustainable development share several common goals and determinants. For instance, access to resources and equity should be insured, stocks of human and social capital should be created, and access to risk-sharing mechanisms is necessary. We need to create institutional capacity for us to adapt to the impacts of climate change. In particular, it is vitally important to involve communities, because it is local communities that would be affected, and they are the ones who have to be at the forefront of adapting to the impacts of climate change. Social and environmental issues are often left without effective support when economic growth in a very narrow sense takes precedence. Therefore, we need to ensure that we integrate appropriate climate change strategies with growth policies.

In summation, the dominant path to industrialization has been characterized by high concurrent greenhouse gas emissions and pressure on natural resources. This has been a feature of the path of development that most countries in the world have pursued, and if we have to move to alternative development paths, we would have to bring about major changes in economic structure. For instance, the entire transportation system would need to make a transition to more efficient forms, including greater use of public transport and a shift to fuels that are low in carbon intensity. Geographical distribution of activities will be required; even urban development and urban growth would need to change. Consumption patterns will require significant difference including changes in lifestyles and demography. Here again, I am talking about the distribution of population which would need to change. There is now acceptance of the fact that we need to bring about a shift to a more inclusive concept of governance, including cooperation of various levels of government, the private sector and civil society. The challenges we face in climate change require a coalition among all stakeholders. Coherence between policies addressing climate change, economic development, health, employment, energy, security, and local environment is critically important. Therefore, what we need is involvement by relevant parties and policy coherence to ensure that we reach desired goals and assure sustainability.

In our economic policies we have to bring about some rapid and major transformation actions. Only then would we be able to meet the challenge of climate change. To give a very simple example of what my institute and I have launched is a program called 'Lighting a Billion Lives'. Unfortunately, there are 1.6 billion people in the world today who have no access to electricity or modern forms of energy. This is one quarter of the world's population. As it happens, almost a quarter live in India alone. Now, if we were to wait for electricity from the central grid to be provided to light up these homes, it would take a long time, and it would also be extremely expensive. So what we've developed is a set of solar lanterns that can not only offset carbon dioxide emissions and lower local pollution, but ensure that you have cleaner homes, with a durable and sustainable form of lighting. This is something that could be done on a very large scale. To give you an example of how this can be done in villages in India, particularly in the Sunderbans, which is the delta region of the Ganges River. We train an entrepreneurial woman who has a solar panel on the roof of the house. She charges these solar lanterns during the daytime and rents them out to all the villagers in the evening at a low price of

five rupees which is roughly eleven US cents. This way she generates an income for herself and the village gets much cleaner lighting than they have today. Some of them can extend their working hours and therefore increase their incomes as well. Therefore, I am providing this as only an example of how we need to think out of the box and come up with unconventional methods by which we can ensure that the resources of this planet are utilized efficiently and sustainably.

Finally, I would like to quote Mahatma Gandhi. When he was asked whether he expected India to attain the same standard of living as Britain, he replied, "It took Britain half the resources of the planet to achieve this prosperity. How many planets will a country like India require?"

Towards a Global Deal on Climate Change⁴

Lord Stern of Brentford
Author of the Stern Review

We all produce Greenhouse Gases (GHGs), people around the world are already suffering from past emissions, and current emissions have the potential to cause catastrophic damages in the future. The global nature of the link between emissions and damages calls for a global response. At present people do not pay for the damages their emissions cause to others. We have a market failure, indeed the biggest market failure the world has ever seen. Thus a key part of the policy must be to fix this market failure, and to establish a price for GHGs. That must be done globally. This would be a major step towards an efficient response. However there are many other profound inefficiencies associated with climate change which good policy must tackle. But a global deal, if it is to be built and sustained, must be more than efficient, it must also be effective, that is yield results on a scale that is necessary, and be equitable, that is take account of abilities to respond and bear cost of responsibilities for past, present and future emissions.

Greenhouse gas concentrations in the atmosphere trap energy and thus cause global warming and climate change. They are already approaching dangerous levels. Unless we act quickly as a world we shall soon be in very dangerous territory.

Risks, targets and Costs

Policy towards climate change must be focused on the management of risk. We are risking the future of the planet and we must ask about the right ways to control these risks, what will be the costs, and who should bear them. Thus the issues concern risks, costs and ethics and all three must be at the heart of an analysis of an effective, efficient and equitable global deal.

The relationship between the stock of GHGs in the atmosphere and the resulting temperature increase is at the heart of any risk analysis: it is the clearest way to begin and anchors most of the discussion.

Table 1: probabilities of exceeding a temperature increase at equilibrium (per cent)

Stabilization Level (in ppm CO _{2e})	2°C (3.6F)	3°C (5.4F)	4°C (7.2F)	5°C (9.0F)	6°C (10.8F)	7°C (12.6F)
450	78	18	3	1	0	0
500	96	44	11	3	1	0
550	99	69	24	7	2	1
650	100	94	58	24	9	4
750	100	99	82	47	22	9

Source: based on Stern Review box 8.1 (Stern, 2007, p. 220)

Current concentrations of GHGs are around 430ppm CO₂ equivalent (CO₂ – which aggregates carbon dioxide with other GHGs), and we are adding about 2.5ppm CO₂e per year. This rate appears to be accelerating, particularly as a result of rapid growth of emissions in the developing world. There seems little doubt that, under BAU (business as usual) in the absence of any restraining policy, the annual increase in the overall quantity of GHGs would average somewhere above 3ppm CO₂e, potentially 4ppm CO₂e or more, over the next 100 years. That is likely to take us beyond 750ppm CO₂e by the end of this century.

This level of concentration would give us, if we were to hold emissions there by 2100, a 50-50 chance of a temperature increase over 5°C. The most recent warm period was around 3 million years ago when the world experienced temperatures 2°C or 3°C higher than today. Humans (dating from around 100,000 years or so) have not experienced anything that high. Around 10-12,000 years ago, temperatures were around 5°C lower than now and ice sheets came down to latitudes just north of London and just south of New York. As the ice melted and sea levels rose, and taking into account the changed topography, Britain separated from the continent and there was major re-routing of much of the global river flow. These magnitudes of temperature changes transform the planet.

At an increase of 5°C most of the world's ice and snow would disappear, most likely including the Arctic and Antarctic ice sheets and the snows and glaciers of the Himalayas. The former effect would, taking the two ice sheets together, eventually lead to sea-level rises of over 10 metres, possibly much higher. The latter would thoroughly disrupt the flows of the major rivers from the Himalayas, which serve countries comprising around half of the world's population. There would be severe torrents in the rainy season and dry rivers in the dry season. The world would probably lose more than half its species. The intensity of storms, floods and droughts is likely to be much higher than present. Further tipping points could be passed, which together with accentuated positive feedbacks could lead to further temperature increase. The last time the temperature was in the region of 5°C above pre-industrial times was in the Eocene period around 35-55 million years ago. Much of the world was covered by swampy forests and there were alligators near the North Pole. The point is not particularly about alligators, it is about transformation of the world: these kinds of changes would bring very radical changes to where and how different types of species, including humans, could live. Many of the changes would take place over 100 or 200 years rather than thousands or millions of years.

These types of risk point us to the question of what is the appropriate scale of action.

As Table 1 shows, we can cut the probability of being above 5°C from 50 per cent to less than 3 per cent by holding concentrations below 500ppm CO₂e. In order to achieve that, global emissions should fall by at least 50 per cent relative to 1990 levels by 2050. Emissions will then need to be around 20GT lower in 2050 compared to today, and decline a further 10GT over the following decades to hold GHG concentrations near or below the 500ppm level. This would cost around 2 per cent of world GDP p.a. The cost could be considerably lower if technical progress as we hope it will be, is rapid. Bad policy can increase the costs. If the target is holding concentrations below 550ppm, this would probably cost around 1 per cent of world GDP p.a.

The cost of inaction is the incurring of the huge risks we have described. It includes the choking of growth as the climate becomes ever more hostile plus the major loss of life from migration and conflict. The cost of inaction can be estimated from crude long-term models (see Stern Review [REF])⁵ as being equivalent to a 5-20 per cent loss in the range of the world GDP averaged over space, time and possible outcomes. There is considerable uncertainty over those figures and the models cannot be taken too seriously, but from any reasonable perspective the evidence suggests that the cost of inaction far exceeds the cost of action.

Good policy and timely decision making are crucial to keeping costs down. And we would emphasise that taking a clear view now of an upper limit on concentrations allows for a measured and careful adjustment which in turn allows for the replacement cycles of capital goods. A wait-and-see approach risks not only excessive and dangerous levels of stocks but also much more costly abatement if, as is likely, there is a subsequent realisation that the response has been delayed and inadequate followed by a rushed response.

Figure 1: Delaying Mitigation is dangerous and costly

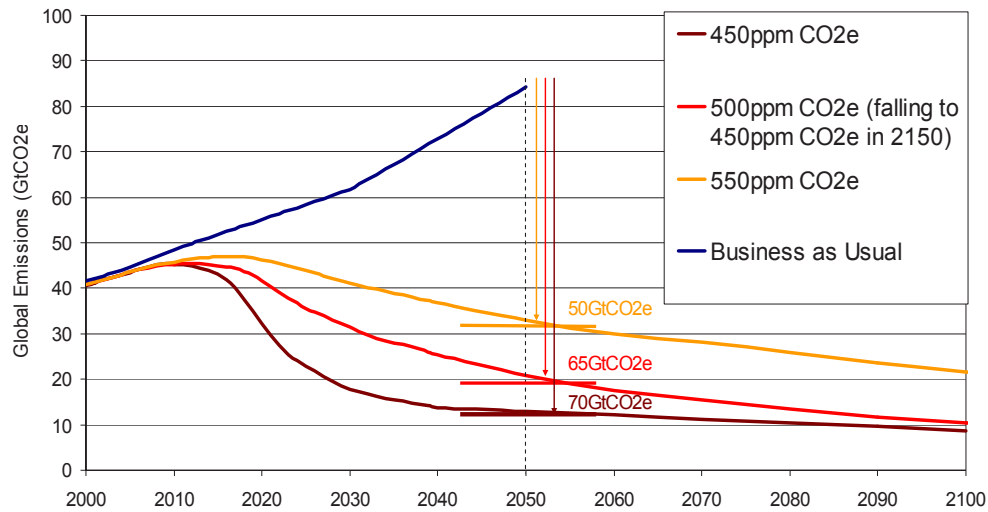


Figure 1 illustrates possible paths for limiting concentrations to 550ppm CO₂e (orange), 500ppm CO₂e (red) and 450ppm CO₂e (brown); the solid line is BAU. There are many paths for any given concentration level but all of them are a similar shape to those shown (if a path peaks later it has to fall faster). And if the carbon cycle weakens, the cuts would have to be larger to achieve stabilisation at a given concentration level. Broadly speaking, however, a path limiting concentrations to 550ppm CO₂e or below will have to show emissions peaking in the next 20 years. For lower levels, the peak will have to be sooner. The magnitudes of the implied reductions of absolute levels of emissions between 2000 and 2050 are around 30 per cent for 550ppm CO₂e, 50 per cent for 500ppm CO₂e, and 70 per cent for 450ppm CO₂e. Cuts relative to BAU are indicated in the figure.

On a path for limiting concentrations there would be different options for cutting emissions that would be more prominent at different times. In the earlier periods there would be greater scope for energy efficiency and halting deforestation, and with technical progress there will be, and are already, strong roles for different technologies in power and transport.

A Global Deal

The balance of scientific evidence points clearly to the need for a large-scale and urgent international action. All countries should plan credible emissions reduction policies now, if mankind is to avoid substantial risks to future generations.

The right targets allow for effective action to control risks, market mechanisms give efficiency and control of costs and clear allocations of responsibilities can shape an equitable deal. The challenge is far-reaching, comprehensive, and global: but it is manageable. The activities and technologies necessary to eliminate the bulk of the risks associated with climate change are already available, or can be developed through appropriate policies to support innovation. Policies must be designed and applied carefully. Where possible, policies must encourage market-based solutions, keep down transactions costs, and stimulate reform of existing distorted mechanisms.

By providing a strong policy framework to embody appropriate economic incentives, governments can harness the power of markets to find an effective international response to the challenge. For markets and entrepreneurship to work, that framework must be credible, durable, and predictable, while allowing necessary flexibility as we learn along the way.

The following is my own attempt to describe the outline of a possible global deal based on a set of proposals which satisfy the three basic principles⁶ of effectiveness, efficiency and equity.

By 2050, eight billion out of a world population of nine billion will live in what is currently termed the developing world. It will be their world and they are most at risk. They should be at the heart of any process to shape and decide on action. Rich countries, given greater wealth, more advanced technologies, and greater responsibilities for past emissions, must take the lead. But unless the 8 billion out of the 9 act strongly it will be simply impossible to cut emissions. Developing countries with strong emissions growth will need to plan to limit and reduce emissions within the next ten to twenty years. For this they will require global cooperation, and they are unlikely to be able or willing to achieve these ambitious reductions without some good examples, substantial financial support and the sharing of technologies.

Effective action requires:

- Global emissions to fall by at least 50 per cent by 2050 with a global average per capita emissions that will – as a matter of basic arithmetic – need to be around 2 tonnes (T) by 2050 (20GT divided by 9 billion people): this figure as an average is so low that there is little scope for any large group to depart significantly above or below it;

- Agreement by developed countries to take on immediate and binding national targets of 20 per cent to 40 per cent by 2020, and to commit to reductions of at least 80 per cent by 2050;
- By 2020, demonstration by developed countries that they can deliver credible reductions, without threatening growth, and that they can design mechanisms and institutions to provide funds to, and share technologies with, developing countries;
- Subject to this, a formal expectation that developing countries would also take on binding national targets of their own by 2020, or be on a path and accept criteria for action which are equivalent in the interim; they should benefit from an expanded ‘one-side’ selling of emissions, in the sense that they can be rewarded for cuts below, but are not penalised if they go above specified levels;
- Fast growing middle income developing countries with higher incomes will need to take immediate action in order to stabilise and reverse emissions growth, including sectoral targets and, possibly, earlier national targets; and
- All countries, regardless of targets, will need to develop the institutions, data and monitoring capabilities, and policies to avoid “infrastructural lock-in”, whereby long-lived capital equipment embodying high emissions is installed.

It is important to weigh up the competitiveness risks and opportunities for firms, countries, and sectors, especially where some countries or sectors apply GHG policies earlier and more ambitiously than do others.

There will be losers, and the impacts of transition will need to be managed. However, transition to a GHG-constrained world will create opportunities for companies and sectors that anticipate new markets. Moreover, the evidence suggests that the costs are manageable (on average 1 or 2 per cent increase) for the vast majority of firms and activities; it also suggests that few firms are likely to relocate activities to less restrictive jurisdictions. Over-stating the problems relative to the opportunities risks pardoning to special interests and prompting parties to wait for others to move before taking action. By contrast, the expectation of a credible global agreement would sharpen the incentives for companies and governments to move quickly and efficiently.

In addition to being effective, policy action must necessarily also be efficient in keeping the costs of action to a minimum. By putting an appropriate price on carbon, explicitly through tax or trading, or implicitly through regulation, policymakers will not only oblige consumers and producers to face up to the full social cost of their emissions but also the market will work to seek out the lowest-cost forms of action.

The cheapest mitigation options often reside in developing countries, which should take advantage of carbon markets from the outset. The current CDM is a good start but its present structure, working project-by-project, makes it difficult to channel resources to developing countries on the scale required. Moving from a project-based to a wholesale mechanism, perhaps based on sector-specific efficiency targets and credible sector decarbonisation plans or local policies, would permit scaling up in a number of emissions and energy intensive industries.

Standardised benchmarks would help to reduce the risk of emissions diversion and relocation, and to alleviate competitiveness concerns in internationally traded sectors.

The scale of deforestation makes it a very large contributor to global emissions – 15-20 per cent. Reducing emissions from deforestation and degradation is a potentially cost-effective method of limiting emissions. It can also yield important benefits in terms of biodiversity, watershed management, and local livelihoods, indeed development more generally. Policy must be carefully integrated with development and be shaped by the countries where the trees stand. But tropical deforestation is an international problem, and requires international support for action. Combating deforestation requires public resources and governance reform if the hard and soft infrastructure for controlling deforestation and the scale required is to work effectively. This includes observation, monitoring, definition and enforcement of property rights, legal and administrative reform and so on. Such reforms and investment have to be done at the country level. And if we are to avoid deforestation simply being displaced from place A to place B (leakage) then action has to be on coordinating internationally as well as country level. The medium-term aim should be to integrate action into the carbon markets but that will depend on the necessary public structures.

The importance of technological innovation in delivering a low-carbon growth can hardly be overstated. Some cost-effective emissions reductions can be undertaken immediately using known technologies (for example, in energy generation and transmission), land use change (for example, in reduced deforestation), and energy efficiency. In the medium – to longer-term, however, the task is to deliver next-generation low-carbon technologies, especially for the power, transport, industry, and building sectors. Different policy frameworks will be required for different technologies at different stages of development. This will require a major scale-up in public R&D on a global basis, support for demonstration projects, global efficiency or emissions standards, and new public-private partnerships to share risk efficiently. It is particularly important that a systematic plan of action is developed and funded for carbon capture and storage technologies, given the likely scale of the use of coal in electricity generation in the coming few decades.

Technological advance will depend on individual initiatives and competition but important aspects require global coordination to pool risks and rewards, exploit economies of scale, and avoid duplication. Early action to develop and deploy technologies can enhance the gains from learning and experience, thereby promoting cost reductions through induced innovation. In addition to progressively tougher targets and a global cap & trade regime, any global policy framework should also aim to expand the market for low-carbon technology. Integrated standards and coordinated public procurement policies could play an important role.

Even with responsible action to reduce emissions, the climate will change and in ways which will make development much more difficult. Strong support is required to help those facing the impact of emissions for which they were not responsible, and the cost of which has not been borne by the original polluters. The achievement of development goals will become much more costly as the UNDP demonstrated in the Human Development Report for 2008/9. The most effective form of adaptation to a changing climate is robust, climate-resilient development. The rich world must deliver on its

promise at the UNDP 2002 Monterrey meeting on financing the Millennium Development Goals For Europe, as committed in 2005, this means reaching 0.7 per cent of GDP in aid by 2015. Other rich countries should follow suit. Looking beyond 2015, the costs of climate change should be integrated into further analyses and commitments for the funding of future development goals.

A credible global institutional structure is essential in order to manage the proposals and the various different steps outlined in this paper. Institutions should be built to match the scale of the challenge and build trust between members, while being flexible enough to adjust to changing circumstances. Eventually this is likely to mean a World Environment Organisation. For an agreement to be established and to be implemented, a very strong international spirit from all participants is essential. The next challenge is the UN summit in Copenhagen at the end of 2009 where a post-Kyoto global deal should be agreed. This will be the most important international gathering since the Second World War. We cannot miss the opportunity to construct an effective, efficient and equitable global deal.

Notes

- 1 From the 2008 ECOSOC High-level Segment, 30 June 2008.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 See http://www.hm-treasury.gov.uk/stern_review_report.htm
- 6 We use these words in their sense in common language. Formal economic concepts are in the same spirit but are sometimes defined somewhat differently.

Chapter 2

HIGH-LEVEL POLICY DIALOGUE ON CURRENT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION

Overview

How should the international community respond to the many challenges, including the financial turmoil, the energy and food price crises, as well as growing anxiety over globalization and other complex international challenges? What are the implications of the economic downturn for developing countries? To what extent could a successful conclusion of the Doha development round provide a much needed boost to the world economy? These were some of the questions discussed at the high-level policy dialogue among the representatives of the UN Department of Economic and Social Affairs, the UN Conference on Trade and Development (UNCTAD), the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) which was held during the high-level segment of the Economic and Social Council (ECOSOC) on 30 June 2008 at United Nations Headquarters in New York.

Mr. Sha Zukang, Under-Secretary-General for Economic and Social Affairs, noted that the 2008 *World Economic and Social Survey* (WESS) recommends a more active policy response, including increased investment and more universal social policies to help communities and countries better manage economic insecurity. Multilaterally coordinated policy action is necessary to prevent a global recession and a disorderly adjustment of the global imbalances. In the longer run, deep reforms in the mechanisms of international financial regulation and supervision are needed, including broader representation of developing countries in the governance structure of the IMF. Citing mixed progress in enhancing the quantity and quality of aid, Mr. Sha emphasized the need for donors to accelerate the rate of growth of official development assistance (ODA) flows to about 16 per cent per year if they are to achieve the 2010 aid target. He called upon donors to limit and streamline conditionalities attached to aid flows, make disbursements more predictable, and eliminate conflicting conditions among donors. The Under-Secretary-General expressed hope that the international community could take on the economic challenges as swiftly as it has responded to the global food crisis.

Mr. Supachai Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development, outlined seven issues and events that require the immediate attention of policy makers and called for new toolkits to deal with these issues. First, new global, regional and local approaches are needed given the unprecedented confluence of crises that at times require conflicting solutions. Second, a final push to successfully conclude the Doha Round of negotiations is needed. Third, the spin-off effects of the sub-prime mortgage crisis need to be examined to see if the bottom of the crisis has been reached. Fourth, financial flows from developing to developed countries persist, amplified by rising movements through sovereign wealth funds, which need to be addressed. Fifth, with inflation on the rise, especially in developing countries, the

international community needs to take a global approach. Sixth, there is uncertainty regarding the most appropriate exchange rate policy: should authorities raise interest rates to fight inflation, and risk killing growth prospects, or should floating exchange rates prevail? And seventh, the food crisis needs a long-term solution beyond short-term humanitarian relief. Mr. Supachai called for a second green revolution in Asia and a first in Africa, indicating that the world already possesses adequate technologies to provide food for staple consumption, cash crop and trade. Given the complex situation, he enumerated several policy options for governments to consider. First, strengthen market mechanisms supplemented by a stronger development role for the State and global collective governance. Second, avoid over-adjustment to inflation, which might hurt economic activity; and in developing countries, adjust monetary policies to encourage people to save more. Third, on agriculture, Mr. Supachai reiterated three policy measures urged by UN Secretary-General Ban Ki-moon for the immediate future, medium term and long term: to meet various immediate food assistance needs; minimize export restrictions; and increase the share of ODA funds for investment in agriculture and rural development, complemented by research and extension programs. Fourth, to pursue a global energy strategy that, among others, promotes energy efficiency, conservation, alternative energy sources and more public transportation, while also preventing higher oil prices. Fifth, to complete the Doha Development Round and expedite aid for trade. And sixth, to revisit Poverty Reduction Strategies to ensure that targeted subsidies and assistance reach the poorest segments of society and to ensure that adjustments in macroeconomic policies do not harm the poor.

Ms. Valentine Rugwabiza, Deputy Director General, World Trade Organization, briefed delegates on the status of the Doha Round and steps planned for the near future. She said that a successful conclusion of the Round, along with other measures, can create the necessary impetus to return to a path of economic growth. It was important to address the concerns of developing countries. She highlighted that much progress has been made, including in Agriculture and Non-Agricultural Market Access (NAMA). Already, negotiators have agreed on the elimination of export subsidies by 2013 and their marked reduction by 2010, and they aim to strengthen and develop new disciplines for other forms of export support. Members are working towards cutting tariffs according to a methodology where there will be deeper cuts on higher tariffs, generating new business opportunities and providing potential for increased and more diverse South-South trade. She noted that a Ministerial meeting had been called later in July 2008, which will attempt to bridge the differences that remain, including modalities for cuts in trade-distorting support in agriculture and cuts in tariffs in both agriculture and industrial goods. Ms. Rugwabiza observed that while the outstanding issues are difficult, they can be resolved if Members show the necessary political will. She stressed that the urgency of concluding the Doha Round is more acute than at any point in the last seven years, and not concluding the Round could have serious implications for development and for investment in developing countries. She urged developed and larger developing countries to look beyond mercantilist gains and resist domestic protectionist pressures in order to rebalance the multilateral trading system in favour of development and poverty reduction.

Mr. Murilo Portugal, Deputy Managing Director of the International Monetary Fund, noted that the global economy is slowing down in the wake of financial dislocations and

the effects of soaring commodity prices on global demand. Although global activity seems to be more resilient to the financial shock than the IMF originally feared, the IMF still anticipates a protracted slowdown. There are important downside risks: accelerated inflation risks from rising commodity prices, limiting central banks' flexibility to loosen monetary policy; fragile overall market confidence and the potential for wider credit deterioration; and new concerns about a protectionist backlash and the possibility of future financial vulnerabilities from the shifting pattern of global imbalances. Each of these challenges is serious in its own right, but their combined impact has implications that go beyond managing overall inflation or financing higher import bills. He stressed that policy makers need to respond flexibly, and work to rebuild confidence and resilience in the financial system. No one country can overcome all the complex and inter-related challenges on its own. Therefore, Mr. Portugal called for international cooperation to help find global solutions to interrelated global problems. International institutions should not operate in isolation. To be successful, responses to the surge in food prices, climate change, and the competition between biofuels and food should not be developed in a compartmentalized manner but must be coordinated.

Mr. Justin Lin, Senior Vice-President and Chief Economist of the World Bank, noted that turmoil in financial markets, slower growth in high-income countries, and the rise of oil and food prices have all adversely affected near-term growth prospects of developing countries. Although developing countries have shown impressive resilience so far, the combination of lower export growth and capital flows and increasing energy and food prices place particular stress on them. As governments face a daunting challenge of protecting the most vulnerable in a fiscally responsible and sustainable manner, Mr. Lin urged governments to use or expand social safety nets to provide targeted income support and to avoid export bans and price controls. He also noted that longer-term actions must be taken to facilitate a strong agricultural supply response. A sensible policy towards biofuels is needed, and efforts to improve energy efficiency, manage demand and enhance supply must be strengthened. Mr. Lin said that 2008 is a crucial year to accelerate progress towards the MDGs. Mr. Lin noted that the High-Level Forum on Aid Effectiveness in Accra in September 2008 provided a timely opportunity to address the issues of scaling up aid and ensuring its effectiveness and that the Financing for Development conference in Doha represents a unique opportunity to re-energize the mutual accountability framework of the Monterrey Consensus. He also said that achieving a successful outcome of the Doha Round is one of the most important steps nations can collectively take to enhance inclusive and sustainable growth.

In an intervention from the floor, Mr. Ricardo Ffrench-Davis, Chair of the Committee for Development Policy, reported on some key findings of the work of the Committee. He stressed the need for a development-friendly international financial architecture to provide adequate counter-cyclical official liquidity to low- and middle-income economies when they are affected by external shocks. Noting the build up of reserves and fiscal resources, Mr. Ricardo Ffrench-Davis said that official compensatory flows can play a crucial role in avoiding unnecessary costs to developing countries by reducing the need to hold high levels of reserves. To improve the volume and quality of compensatory financing, the Committee suggested that the possibility of issuing of special drawing

rights should be considered. The Committee also recommended that the reform of the existing compensatory financing mechanisms of the IMF should be greatly simplified.

Mr. Achim Steiner, Executive Director, United Nations Environment Programme (UNEP), stated that UNEP's work is integral to both the sustainable development agenda and the world economic outlook. Markets try to rationalize trends and predictions about the future state of the global economy. Long-term development trends are inextricably linked to the ways economies are investing in certain pathways. Mr. Steiner said that in the next two years the world needs to put in place the right incentives to reconcile the energy economy and sustainability concerns. He appealed to governments and international financial institutions to take a more proactive approach to rapidly evolve coherent policy frameworks and incentives that in turn encourage investors and financiers to take the lead in renewable energy markets.

Living in a Time of Insecurity and Enormous Challenges¹

By Mr. Sha Zukang
Under-Secretary-General for Economic and Social Affairs
United Nations

We live in a time of great insecurity and enormous challenges: bank runs, plummeting house prices, fluctuating exchange rates, food riots, and the energy crisis – to name just some events that have dominated the international news media over the past 12 months – are indications of these difficult times. The High level Policy Dialogue is an important opportunity to help understand these challenges and to define a collective response.

The immediate concerns just mentioned highlight a growing anxiety over the economic direction taken in many parts of the world over the past two decades. Far-reaching deregulation of trade and financial flows has unleashed new economic activity. But it has also unloaded risks and strains onto individuals and households, often insufficiently supported by social protection systems or adequate regulatory frameworks. Indeed, even when countries appear to have been doing well on some measures, many households and communities have been struggling to secure a decent standard of living. These concerns have been compounded by other global threats, from climate change to the food security crisis.

One of the reports - this year's *World Economic and Social Survey* - finds that much more active policy response is needed to help communities and countries better manage these new manifestations of economic insecurity. Increased investment, particularly by the public sector, is key to mitigate the adverse impacts and to prevent threatening events from turning into human disasters. And more universal social policies are needed to strengthen the underlying social contract which is, ultimately, the basis of a stable and just society.

Yet, in an interdependent world, many of the threats and challenges cannot be met by governments acting on their own. They require collective international action. Multilateral solutions, based on full participation and open dialogue, remain the best hope for providing a secure economic future for all.

Consider, for example, the global financial turmoil that started a year ago. Triggered by the sub-prime mortgage crisis in the United States, the turmoil has taken its toll on the real economy worldwide. According to the UN's midyear update of the *2008 World Economic Situation and Prospects*, there is, today, a high risk of a marked slowdown of the world economy. This weakness will likely extend into 2009.

In developing economies and economies in transition, direct contagion effects have so far been limited. But more adverse impacts are expected as demand from major developed economies continues to weaken. In fact, a few developing countries have already experienced significant financial distress.

The weakening global economic environment is compounded by the steeply rising prices of food and energy. The increase in the cost of living has already caused social and

political unrest in a number of developing countries. The rising costs also threaten to reverse some of the progress made towards the MDGs, particularly the primary goal of reducing poverty and hunger.

The grave risks of a protracted global economic downturn and the urgent need to deal with the global food crisis both require a global consensus and action. Multilaterally coordinated policy action is necessary to prevent a global recession and a disorderly adjustment of the global imbalances. This would include: a stimulus package focused on the expansion of domestic demand in surplus countries; policies to support a gradual rebuilding of savings in deficit countries; and measures to stabilize global currency markets and financial markets at large.

In the longer run, deep reforms in the mechanisms of international financial regulation and supervision will also be needed. It is hoped that the International Monetary Fund will manage to substantially broaden developing countries' representation in its governance structure and position itself as a credible and effective broker in multilateral consultations for policy coordination. And, it is equally important that the Economic and Social Council further helps foster such consensus building.

To address the global food crisis, the immediate priority is to scale up international resources to meet humanitarian and emergency food needs. Yet, urgent action must also be taken towards a long term solution to the crisis. Investments need to be increased substantially, particularly in developing countries – in such areas as water supply, infrastructure, seeds and fertilizers, education, and agricultural research – to increase agricultural productivity.

Given the strongly adverse terms-of-trade shocks experienced by many low-income countries that are net importers of food and energy, there is also a need for better compensatory financing mechanisms. As noted in the report of the Committee for Development Policy, providing adequate liquidity and budget support to the poorest countries is critical. Such support should enable them to avoid having to respond to such shocks with the stringent macroeconomic adjustment policies that could jeopardize their efforts to meet the MDGs and other development goals.

Finally, and more broadly, the commitments to provide the poorest countries with sufficient and effective development assistance must be kept. Since 2002, there has been mixed progress, at best, in international development cooperation. While some donors are meeting their commitments in delivering aid, aggregate aid flows from members of the Organisation for Economic Cooperation and Development (OECD) have decreased over the past two years. The rate of growth of ODA flows will have to accelerate to about 16 per cent per year if they are to achieve the 2010 aid target for financing the internationally agreed development goals, including the MDGs.

Conditionality attached to aid flows should be limited and streamlined to make disbursements more predictable and to eliminate conflicting conditions among donors.

All the challenges laid out have far-reaching global repercussions and require the IMF to help strengthen the multilateral framework and to seek concerted solutions. In recent months, a framework of action for concerted responses to the global food crisis was agreed upon. However, while the scope and effectiveness of the implementation remain

to be seen, the quick elaboration of the framework does show that IMF is capable of responding swiftly as an international community. One would hope that all the other challenges can be taken on in the same spirit.

A Call for Concerted Action to Address the Unprecedented Confluence of Several Crises²

By Mr. Supachai Panitchpakdi
Secretary-General
United Nations Conference on Trade and Development

We have been enjoying at least five consecutive years of highly robust economic growth, including in some parts of sub-Saharan Africa. However, this period of "great moderation" is probably coming to an end. In its place, we will have to face a new world economy and a new wave of globalization, along with other developments that are transforming the way we draft policies and that will require urgent attention at the global, regional and national levels.

A whole gamut of developments is involved. Allow me to touch briefly on seven of them that I believe may force us to change the way we view the world.

The first is the unprecedented confluence of several kinds of crises. In the 1970s we had the oil crisis, and towards the end of the 1990s, the financial crisis. From time to time there have been several such crises, but never so many converging at the same time. The gravity of the situation calls for the kind of action that Dr. Pachauri and Lord Stern have been talking about in the opening session of this year's ECOSOC session, with regard to climate change; and in both instances, the sooner the action is taken, the better.

But whether we are talking about food, energy, climate change, or the financial crisis, all these crises call for policies that are often conflicting and that countries cannot always afford to implement on their own. Some of them have to be handled at the international level, particularly those that require long-term measures. We need a clear view of what is to be done at the global level, what at the regional level, and what at the national level. At the same time, short-term crises require their own strategies.

The second development concerns the Doha Round. We seem to be on the verge of a breakthrough in these intractable and sometimes tortuous negotiations, but we need one final push. WTO Director-General Pascal Lamy has set the 21 July 2008 as the date for a ministerial conference, and he believes there is more than a 50 per cent chance of success. This is a crucial period, because the breakthrough needs to take place by July 2008. If it does not, who knows when we will again have the kind of forward movements we have seen in the negotiations over the past two months?

The third development is the spin-off effect of the subprime mortgage crisis. Debates are raging as to whether there is a decoupling effect at work, and whether some parts of the world could be shielded from this crisis – particularly Asia, which is less concerned by it than other regions like Europe. One of the most nagging problems is that we do not yet know if the worst is over: more than half of the non-performing loans have yet to be written down, so we are probably just halfway through the crisis. Precautionary measures are thus needed that will take into account the deepening of the crisis that is still to come.

The fourth development is the flow of funds between developing countries and advanced economies. Not only are reverse fund flows moving from less developed regions like Asia to more advanced ones, but sovereign wealth funds are on the rise. We can anticipate that these funds will only continue to grow, as a result of the hike in oil prices. It is also likely that they will continue their recent practice of investing in ailing financial institutions in the more advanced countries. However, they can also be disruptive. They should thus be recycled in such a way as to benefit other developing countries that have suffered from the volatility of oil and food prices.

The fifth development I wish to highlight is inflation. There is a real need for the global community to tackle this issue globally, and to be serious about the fears of global recession, global inflation, and so-called stagflation. Are these fears real, or imaginary? Do we have to be concerned about the kind of scenario we had in the 1970s? In the advanced economies, at least, the situation is much less severe than it was at that time. Of course, advanced countries are also suffering from high and rising inflation; according to the European Central Bank, inflation in Europe is growing at the fastest rate in sixteen years. But in the 1970s, when inflation began to get out of hand, it spread from one-off oil price increases to unstoppable secondary effects, including on the labour market. In the 1970s, there was a multiplier effect of the first round of price increases, mainly as a result of energy prices. Today, the secondary or second-round effects of the energy price rise have not yet been translated into greater demand, because of limited wage increases. It is true that wages in developed economies have been mostly delinked from prices, so we are not currently seeing any wage/price spiral in the developed world. In addition, some of the slowdown in economic growth in advanced economies will exert downward cyclical pressure that will actually dampen the impact on wage demand. From the advanced economies' viewpoint, then, there is less concern, although one can certainly not write off the need to tackle inflation. The European Central Bank is reportedly planning to adjust its monetary policies in the summer months on the basis of this rise in inflation.

The crux of the matter apparently lies elsewhere, and particularly in the developing countries, which is where our greatest concerns must be focused, especially in Asia. Several Asian economies that had been growing rapidly are now experiencing inflation rates not seen for a decade or more. The average rate of inflation for eleven large Asian economies, weighted by Gross Domestic Product (GDP), has virtually doubled, from 3.5 per cent a year ago to close to 7 per cent today. In some of the key economies, such as China, India, and Viet Nam, the level of inflation is a real cause of concern, and action has already been taken. If the inflation rate had been rising simply because of oil prices, and if it were just a matter of dealing with inflation, then governments and central banks would have increased interest rates and tightened demand. But complications have emerged, and it is no longer so simple.

One complication arises from the way we have been dealing with the energy price crisis. Several Asian countries that have been using a lot of energy are now being told to reduce subsidies on energy prices in order to slow down the consumption of energy. As we have seen over the past couple of years, there has been generally reduced demand for energy in the OECD countries, but not so in Asia. In order to reduce subsidies, one would have to

cope with the immediate impact of oil price rises; and again, there is a danger of this spilling over into the labour market.

Another issue that has complicated policy making – and this is the sixth development on my list – is exchange rate policy, particularly in Asia. Some people have said that because exchange rates in Asia are more or less linked to the US dollar, this may not help matters on the inflationary front. The idea of raising interest rates to fight inflation in Asia has been debated time and again. But to do so in countries where exchange rates are already rising could attract speculative funds and have an even greater impact on exchange rate movements, killing off all growth prospects. Such prospects nonetheless need to be considered, because of downward pressure from the global economic slowdown. So there is some disagreement as to whether economies should tighten up interest rates or continue to float exchange rates. Similar doubts exist as to whether subsidies could be reduced in such a way as to cushion the impact on the most marginalized sectors of the economy.

We also need to think about how to deal with energy price increases. While most of these increases can be explained to some extent by fundamental factors of supply and demand, the depreciation of the dollar also plays a role, as does speculation in the futures markets.

Let me turn now to the seventh development in the world economy, and that is the food security crisis. Short-term humanitarian relief is of course greatly needed, but long-term solutions are needed as well, and are perhaps more controversial. It is easy to say that we should stage another green revolution in Asia, because the first such revolution there has already run its course, with productivity gains in the agricultural sector now diminishing. But we will also have to stage a green revolution in Africa, and this will not be easy, as it will involve not just seeds, but water, management, extension services, transportation, and many other inputs.

With regard to seeds, for example, it is not easy to agree on how to make them available. Can governments do it? Can corporations do it – and can they get people to accept hybrid seeds that in many cases are genetically modified? As discussed at the recent High-Level Conference on World Food Security in Rome, there should be no question of restructuring the agricultural sector because of a dilemma over whether food agricultural products should be used for food, for consumption, or simply burnt up as fuel. If such a dilemma exists, we should not be overly alarmed by it, as we possess enough technology, land, and management know-how to produce food for staple, for consumption, for cash crops and also for trading.

I would now like to share with you some thoughts on ways of dealing with the developments and issues I have touched on this morning.

First, how do we make market mechanisms work at their optimal level? The situation differs, of course, from one market to another, but clearly we cannot leave everything to the market – for example, in the case of climate change. And in order to strengthen markets, the Doha negotiations will have to succeed, as early as possible. In addition, underlying market mechanisms must be supplemented by global governance to deal simultaneously with the trade crisis, the financial crisis, and the price crisis, so as to avert stagflation.

At the same time, States will have to play a stronger development role. Over the past two decades or so, they have been moving away from areas of possible intervention, sometimes in reaction to problems caused by excessive intervention. Now, however, it is time to rebalance the role of the State; the State must undertake some of the long-term restructuring measures if it is to address all the issues I have been discussing today.

If we allow market mechanisms to work, and to work well, the markets will have to allow some form of speculation. As to whether speculation in certain areas has gotten out of hand, and whether it is sometimes justified when it results simply from price movements, remains to be determined. Economist Paul Krugman recently wrote that, although it is not out of the question that speculation did play a role in high oil prices, it is not everything. He also said that regulating futures markets more tightly is not a bad idea, but that it won't solve the energy crisis and won't bring back the days of cheap oil.

My second point concerns how to deal with inflation, and here opinions differ strongly. In some economies, authorities tend to wait and see what the priorities of the central banks and governments should be. Given how burdened we already are by the downward economic impact of the financial crisis, tightening up monetary policy on the demand side might bring about the kind of over adjustment that doesn't kill just inflation, but entire economies as well. This is a difficult choice. Developed countries may need to be very cautious in dealing with inflation solely as prescribed by theory; there must be a balance, and here I would refer to the observation by Mervyn King, Governor of the Bank of England. He said that the biggest challenge for central banks is trying to ensure a monetary policy framework for the world as a whole that does not build into it an excess inflationary impetus. This is by way of saying that we should not allow any additional inflationary impetus, but at the same time we should be very circumspect about trying to kill off inflation.

The options for developing countries, on the other hand, seem quite clear: they must stem inflation, which in some Asian countries has reached double-digit levels – in Viet Nam, for example, there are reports of inflation of 25 per cent and more. In many areas, the real interest rate – the official interest rate, or the deposit rate minus the inflation rate – is in the negative zone. In some cases, monetary policy will thus have to be adjusted to encourage savings-oriented behaviour and reduce the inflationary impact of the rise in demand.

My third point concerns agricultural development, and here I would like to reiterate the three policy measures urged by Secretary-General Ban Ki-moon in a recent speech on this subject. The first is to deliver on a full range of immediate food assistance needs over the next eighteen months, and for the next harvest. In addition to meeting all World Food Programme appeals, we need to replenish the United Nations Central Emergency Response fund to ensure timely and reliable humanitarian assistance. The second is to minimize export restrictions and levies on food commodities; lift immediately all restrictions on humanitarian food supplies; and cut agricultural subsidies in developed countries to free new resources for agricultural investment in low-income, food-insecure countries. And the third is to increase the share of official development assistance for agricultural production and rural development from its current level of 3 per cent – which

is very low – to a new level of 10 per cent, without diverting funds from existing education or health items.

For agriculture, then, we really do need a long-term strategy, aside from the immediate emergency needs. We must be able to reinstitute the kind of research we had in the 1960s and 1970s, which brought us the first green revolution. I remember that ten years ago, in about 1998, our research work resulted in a corn revolution in Africa that helped bring low-cost food supply to African nations. This was, however, the result of multi-year research, and that is one element we should bring back into our agricultural strategy.

Let me turn to my fourth point. We need a global energy strategy to prevent oil prices from going up, as the futures markets seem to indicate, to US \$200 and US\$ 250 a barrel. This is no idle alarm, but something that has already begun to happen, raising concerns about a possible link between future prices and spot prices. More work is also needed in such areas as energy efficiency, alternative energy sources, energy technologies, new methods of conservation, and new forms of public transportation.

My fifth point is the need to complete the Doha Development Round, which will in turn require expediting the build-up of capacity through aid for trade.

My last point takes us back to where we started: the slowdown in economic growth. As this will have major implications on the most marginal sectors of the economy, we will need to revisit the policy reduction strategies. Targeted subsidies, and targeted sectoral assistance, will be required if we are to maintain disciplined macroeconomic policies that have the least impact on those most affected – namely, the poorest segments of the population.

Urgency of Completing the Doha Round more Acute than Ever³

By Ms. Valentine Rugwabiza
Deputy Director-General
World Trade Organization

Global attention has been increasingly focused on many issues including the economic slowdown, the rise of food prices and the accompanying inflationary pressures that this has generated. The Doha Round cannot provide immediate solutions to many of these problems, but there is no doubt that a successful conclusion of the Round can, along with other measures, create the necessary impetus to put the world back on the path of economic growth.

The Round was launched nearly seven years ago. It is based on the principle of the single undertaking which means that nothing is agreed unless everything is agreed. While it takes time to come to an agreement, it has the very big advantage that it allows all Members, whether big or small and irrespective of their share of global trade, every opportunity to safeguard their interests.

Development issues remain, central to the agenda. The promise to address the concerns of developing countries, which constitute more than two-thirds of the membership of the World Trade Organization (WTO), has to be fulfilled. A lot of progress has been made; progress which has been captured in the two revisions of the draft modalities in Agriculture and Non-Agricultural Market Access (NAMA) that have since been issued by the respective Chairs.

So far, the agreement to eliminate all forms of export subsidies by 2013, with a substantial part to be reduced by 2010, is in line with the key demands of developing countries since the launch of the Round. The removal of this artificial form of competition will enhance the ability of developing and least-developed countries to compete in a fairer and market-oriented agricultural trading system. In addition, developing countries will stand to gain from important cuts in domestic subsidies as Members have already agreed that developed countries will undertake deeper cuts than developing countries. The Doha Round also aims to strengthen and develop new disciplines for other forms of export support such as export credits, food aid and state trading enterprises - issues that were not fully covered during the previous trade rounds.

Similarly, in NAMA, members are working towards cutting tariffs according to a methodology, where there will be deeper cuts on higher tariffs. Using this formula, developed countries will apply the tariff cuts on a line-by-line basis, with no exceptions, while appropriate flexibilities would be available for developing Members. This will generate new business opportunities, both in developed and in developing countries - hence providing a huge potential for increased and more diverse South-South trade.

However, differences remain, which will have to be bridged and the progress sealed by adopting modalities in these two areas. The Director General Pascal Lamy has announced his intention to call Ministers for a meeting in Geneva in the week starting 21 July. The objectives of this Ministerial meeting are to agree on modalities for cuts in trade-distorting support in agriculture, and to discuss cuts in tariffs in both Agriculture and industrial goods, so as to pave the way for concluding the Round by the end of the year.

However, calling a Ministerial level meeting, with Members still grappling with some key issues, is not without its own risks. But the risk of not calling the Ministers was even greater. The economic and political conundrum is churning. If things seem difficult today, they are only going to get more difficult tomorrow. There is therefore no option but to further intensify the negotiations over the coming days so that we can increase the chances of success. Every possible attempt has to be made to push Members' limits of flexibility and political will and strive for the adoption of modalities in Agriculture and NAMA by the end of next month.

However, to do this, Members will have to close the gaps in the identified 'hotspots' in the next three weeks. In Agriculture, the Members need to further intensify their efforts to narrow down the differences on outstanding issues such as the final permissible limits of domestic support; the treatment of sensitive products for developed countries; the flexibilities to be afforded to developing countries as part of the proposed special products and special safeguard measures; the problems associated with erosion of long-standing preferences; the treatment of cotton and tropical products, to name a few.

Similarly in industrial goods, there are a number of difficult issues which have to be addressed. These include the levels of tariff cuts to be implemented by developed and developing countries; the period of implementation; the flexibilities to be given; the problems related to non-tariff barriers; and the implementation of the decision to provide them duty-free and quota-free market access.

These are all difficult issues no doubt, but yet doable, provided Members are ready to show the necessary political will. The urgency of concluding the Doha Round today is more acute than at any point in the last seven years. Not concluding the Round could have very serious implications for development and for investment in developing countries, especially for the achievement of the MDGs in many developing countries.

In this period of increased financial uncertainty, the rules-based trading system of the WTO provides a hugely important source of economic stability for governments, for business and for consumers. In the current circumstances, counting on the WTO and on concluding the Doha Round is the nearest available message of confidence. A successful conclusion of the Round will also have important implications in another critical area, namely the high commodity prices. In order to cope with rising food prices, supply must adjust to demand and the transmission belt from supply to demand is trade, and therefore, trade, whether domestically or globally, has to become more efficient and free of distortions. Through greater and fairer competition, international trade can help lower food prices. But all of this presupposes that the trade-distorting agriculture subsidies that have given an unfair advantage to rich world farmers will be tackled. It also presupposes

reducing import tariffs for agricultural products. Both these are a central part of the Doha Round.

There is no doubt that the final round is approaching. Time is running out. The moment of truth is very much upon us. As many have said in Geneva this is literally the last roll of the dice. However, what must be ensured is that before the dice is cast, it has been sufficiently loaded in favour of a successful conclusion. The price of failure is too high to even contemplate. Both developed countries as well as the larger developing countries have to look beyond mercantilist gains. More importantly, they have to resist domestic protectionist pressures. Only then will it be possible to collectively achieve what we set out to do seven years ago – to rebalance the multilateral trading system in favor of development and poverty reduction – something that only a successful conclusion of the Doha Round can do.

Current Economic Developments and the Outlook for the Global Economy⁴

By Mr. Murilo Portugal
Deputy Managing Director
International Monetary Fund

The global economy is slowing in the wake of financial dislocations and the effects of soaring commodity prices on global demand. However, global activity seems to be more resilient to the financial shock than the IMF originally feared. At the ECOSOC meeting in April 2008, the IMF was projecting that global growth would slow to below 4 per cent in 2008 and 2009, following 4.9 per cent growth in 2007. However, actual growth in the first quarter of 2008 has been stronger than anticipated. As a result, our growth forecasts for 2008 are likely to be revised up a notch. But we still anticipate a protracted slowdown. The outlook for global growth for 2009 will likely remain broadly unchanged from the IMF's April 2008 forecasts.

Growth in the United States fell below one per cent in each of the last two quarters, reflecting continuing distress in the housing and financial sectors and slowing private consumption. The downturn appears likely to be more drawn-out than usual. In the Euro area, growth is likely to slow, following a first quarter stronger than we anticipated. The GDP of Japan also grew faster than anticipated in the first quarter, but domestic demand is likely to weaken, because of higher food and fuel prices and slower wage growth. In emerging and developing economies, growth is projected to moderate only modestly in 2008 and 2009. This reflects robust domestic demand and the strong growth of export receipts in some commodity exporters.

But there are important downside risks to this outlook:

- First, inflation risks, rooted largely in rising commodity prices, have accelerated, limiting central banks' room for maneuver in support of growth. Central banks in some countries have already begun tightening policies to head off second-round effects of the recent price hikes on core inflation, and to re-anchor inflation expectations. Inflation risks are a particular concern in some emerging economies, where monetary policy makers face constraints from inflexible exchange rate regimes.
- Second, while financial sector risks have moderated and markets begun to stabilize, overall market *confidence remains fragile*. Central banks have demonstrated their commitment to forestall systemic events, and financial firms have made progress in recognizing losses and replenishing capital. Yet bank balance sheets are still under strain from accumulated financial losses, despite banks' efforts to raise new capital. Also, the securitization markets remain severely impaired. As economies slow down, the potential for a wider credit deterioration beyond the subprime mortgage market could trigger another round of tightening credit conditions.

- A third risk is the shifting pattern of global imbalances, which is raising new concerns. The risks of near-term disorderly adjustment of current account imbalances appear to have eased. However, while the U.S. dollar has declined significantly in real effective terms, this adjustment has fallen disproportionately on currencies of economies with flexible exchange rate regimes. These disproportionate adjustments may be producing new misalignments. Investments of the rapidly expanding surpluses of oil exporters, including through sovereign wealth funds, have raised concerns about some protectionist backlash. Moreover, the increase in capital inflows into some emerging economies could portend growing financial vulnerabilities down the road.

The task of responding to a cyclical slowdown and dealing with financial strains has been considerably complicated by the volatile behavior of oil and other key commodity prices. The recent interest rate cuts in the United States will at some stage need to be unwound, but premature tightening could exacerbate financial strains. In most emerging economies, responding to rising inflation is the most immediate concern. Fiscal policy could play an important complementary role to monetary policy, to help contain rising inflation and commodity price risks. Policy makers would need to respond flexibly to a reemergence of financial strains, and work to rebuild confidence and resilience in the financial system.

The world is facing today a confluence of several challenges. Each of these challenges is serious in its own right, but their combined impact has implications that go beyond managing overall inflation or financing higher import bills. Higher food and fuel prices confront many developing countries with serious questions about the right macroeconomic response. Among these questions:

- How are the price increases affecting the prospects for achieving the MDGs? What policies can be used to protect hard-won gains in poverty reduction in a sustainable and financially viable manner?
- Can countries mobilize additional financing to pay for immediate measures and higher import bills without diverting resources away from other uses critical to the MDGs?
- What is the right balance between short-term financing and adjustment in the responses to the increased prices? What are the best instruments for this adjustment?

Making the right choice on these questions is further complicated by other challenges that are being brought into stark relief by the rise in food, energy and commodity prices. Higher fossil fuel prices reinforce the attractiveness of biofuels as an alternative energy source. But the international community must ensure that arable land is not taken out of food production and assigned to biofuels production. Moreover, biofuels production should be driven by market forces, and not by distortionary support subsidies in individual countries.

In an increasingly globalized economy, where world supply for highly traded products falls short of demand and supply cannot be quickly increased, prices will rise - sometimes dramatically as has been seen. While some countries - especially net food and oil importers - are being more affected than others, prices have risen for all and no one

country will be immune from their impact of price rises on global growth. No one country can overcome all the complex and interrelated challenges on its own. International cooperation and institutions are needed to help find global solutions to interrelated global problems. International institutions should not operate in isolation or compartmentalize the work needed on food prices, on climate change, on biofuels and on achieving the Millennium Development Goals. Efforts must be coordinated to successfully meet the challenges.

There are good examples of how this coordination can be achieved. Within the United Nations system, the Secretary General's High-Level Task Force on the Global Food Price Crisis, and the MDG Africa Steering Group have brought together different actors, each with its own area of expertise and comparative advantage, but each firmly committed to finding consistent solutions to the issues at hand. Such joint work is more important than ever before and the IMF remains committed to play its part to help find solutions to these global issues.

Global Economic Outlook and Implications for Developing Countries⁵

By Mr. Justin Lin
Chief Economist and Senior Vice President
The World Bank

The global economy is in the midst of a period of high uncertainty and increased risks. Turmoil in financial markets, slower growth in high-income countries, and the rise of oil and food prices have all adversely affected near-term growth prospects of developing countries. Policymakers in developing and high-income countries alike face the difficult challenge of managing the short-term slowing of their economies and potential financial stress on the one hand and the risks associated with rising inflation on the other.

Most developing countries have shown impressive resilience in this turbulent environment so far. Their resilience partly reflects the fact that, compared with past episodes of global financial turbulence, far fewer developing countries are burdened by large external imbalances or heavy short-term external financing requirements. Many countries have accumulated sizable foreign reserves and have reduced their external debt burdens significantly. And most countries have expanded and diversified their export base, a move that facilitates external adjustment. Nevertheless, as a result of the expected weaker high-income country growth and the energy and food price surges, developing countries' growth will slow. It is expected to moderate from 7.8 per cent in 2007 to a still relatively strong 6.5 per cent in 2008.

As usual, world trade is expected to show a more pronounced cyclical swing than GDP. Global export growth is projected to slow to 4.7 per cent in 2008, substantially lower than the 10 per cent expansion of just two years ago. At the same time, there are signs that private capital flows to developing countries are slowing.

The combination of lower export growth and capital flows may place particular stress and force significant adjustment on those developing countries with large current account deficits. In particular, the resilience of private corporate balance sheets in these countries will be tested, as the private sector was in many cases the main beneficiary of the surge in international lending in recent years. An additional challenge for the oil- and food-importing developing countries is the rise in energy and food prices, which has further increased import bills and financing requirements.

Moreover, partly due to the higher energy and food prices and partly due to strong domestic demand, inflation has risen in a number of countries. Median consumer price inflation in developing countries is now running above 9 per cent, compared with 5-6 per cent in recent years. Thus, if food and oil prices surge further, the favorable factors that have underpinned developing countries' resilience may weaken and the need to control inflation may jeopardize growth prospects.

The higher food and energy prices have also caused real incomes to decline, significantly increasing the hardships faced by the poor, particularly in urban areas. Preliminary World

Bank estimates suggest that up to 105 million people could become poor due to the rising food prices. The rise in oil and related energy prices since January 2007 implies an estimated 1.8 per cent of GDP reduction in real incomes on average for low-income oil-importing countries.

In this context, governments face a daunting challenge of protecting the most vulnerable of their citizens in a fiscally responsible and sustainable manner. As much as possible, governments should use or expand social safety nets to provide targeted income support, instead of subsidizing prices generally that can be extremely expensive and ultimately unsustainable. However, they should avoid recourse to export bans, which would aggravate shortages and price surges in the global market and importing countries. They should also avoid imposition of price controls, which can jeopardize incentives to expand agricultural production to alleviate potential shortages in the future. The international community needs coordinated action to ensure countries' immediate humanitarian needs are met and to support the strengthening of their safety nets.

Longer term, actions must be taken to facilitate a strong agricultural supply response. Achieving an African Green Revolution should be a priority for countries in the region and their development partners. At the global level, there is a need for a sensible policy toward biofuels. On the energy front, efforts to improve energy efficiency, manage energy demand, and enhance supply, especially of cleaner, renewable energy, must be stepped up.

MDGs at Halfway Point

Recent global economic developments and associated risks add to the challenges countries face in their efforts to achieve the MDGs. Earlier this year, which marks the halfway point toward the MDG target year of 2015, the World Bank and the IMF in their joint *Global Monitoring Report 2008* presented a comprehensive assessment of progress on the MDGs and the agenda ahead. At the halfway point, progress toward the goals is mixed, with notable achievements on some goals but formidable challenges on others.

The first MDG calls for reducing extreme poverty and hunger by half. The poverty goal is likely to be met at the global level, thanks to a remarkable surge in global economic growth over the past decade – though the potential rise in poverty resulting from the recent sharp rise in food prices creates new risks. However, there are serious shortfalls in fighting hunger and malnutrition. The recent rise in food prices increases the urgency of dealing with these challenges. On current trends, the human development MDGs are unlikely to be met. Prospects are gravest for the goals of reducing child and maternal mortality, but shortfalls are also likely in the primary school completion, empowerment of women, and sanitation MDGs.

Within this overall picture, there is considerable variation across regions and countries. At the regional level, Sub-Saharan Africa lags on all MDGs, including the poverty reduction goal. South Asia lags on most human development MDGs. At the country level, on current trends, most countries are off track to meet most of the MDGs, with fragile states falling behind most seriously.

Yet most MDGs remain achievable for most countries if stronger efforts are made both by the countries themselves and by their development partners. Progress must be

accelerated and made more inclusive. International attention associated with the MDG midpoint makes 2008 a crucial year to generate the necessary momentum. The planned high-level meetings during the year—including the G8 summit, the United Nations General Assembly Special Event on the MDGs in September, and the Doha Financing for Development conference in December—provide an opportunity that must be seized to agree on priorities for action and milestones for tracking progress.

Strong and inclusive economic growth must be at the center of the strategy to achieve the MDGs. While specific policy priorities for growth vary from country to country, looking across countries, three areas emerge as essential to robust growth: sound macroeconomic policies; a conducive private investment climate, including access to key infrastructure; and good governance.

We must accelerate progress toward the human development goals. This will require commitment of more resources to key programs in education and health—for example, the Fast Track Initiative in education, health system strengthening, and combating malaria. More spending alone, however, is not the answer. The quality and equity of spending must also be improved.

We must integrate environmental sustainability into core development work, maximizing synergies. Poor countries will suffer the most from climate change and are least able to adapt. For them, the best way to adapt is to develop—by diversifying their economies, strengthening infrastructure, developing health systems, and curbing climate-sensitive diseases such as malaria and diarrhea. Mitigation of carbon emissions will require financing and technology transfer to developing countries. Support to developing countries to assist with the transition to low-carbon and climate-resilient growth will need to be in the form of new financing, not a diversion of resources from other development programs.

The international community must achieve a successful outcome of the Doha Round of trade negotiations in 2008. This is one of the most important steps nations, acting collectively, can take to enhance inclusive and sustainable growth. The current high food prices provide a window of opportunity to break the impasse on agricultural trade liberalization.

Financing for Development

Donors must do their part and scale up aid in line with their commitments. Most of the increase in aid promised at Gleneagles in 2005 is yet to be delivered. Between 2004 and 2007, annual aid flows from the Development Assistance Committee of the Organisation for Economic Cooperation and Development donors increased by only one-fifth of the promised target for 2010, that is, by only \$11 billion in real terms against a 2010 target of \$50 billion. Delivering on the commitment to double aid to Africa over the same period has similarly been slow, with annual aid flows rising by only \$5 billion in real terms between 2004 and 2007 compared with a target increase of \$25 billion by 2010.

The global aid architecture is changing with the emergence of new sources and modalities of aid - including new donors such as China and India, global/vertical funds, and an increased role of private donors. The new sources and modalities of aid promise more resources and innovation, but they also pose new challenges for aid effectiveness

and coherence. The High-Level Forum on Aid Effectiveness in Accra in September 2008 provides a timely opportunity to address the issues of scaling up aid and ensuring its effectiveness in a changing aid environment.

There is a need to catalyze and leverage more private capital in support of development, including through innovative public-private partnerships. This will be particularly important in meeting the large financing needs associated with the climate change agenda.

Five years ago in Monterrey, the international community agreed on a mutual accountability framework for development cooperation. Pursuant to that framework, developing countries have taken important steps to strengthen governance and improve the quality of their economic policies and institutions. Thanks to reforms, a number of developing countries today are in a position to utilize increased resources productively. To meet their side of the bargain, developed countries agreed to support developing countries' efforts by increasing the quantity and quality of aid, providing more debt relief, and opening their markets further to trade. While there has been good progress on debt relief, actions have lagged commitments in aid and trade. As we enter the final phase of the MDG calendar, the Financing for Development conference in Doha represents a unique opportunity to re-energize the mutual accountability framework, by reaffirming and building on the commitments made in Monterrey.

Role of the World Bank

The World Bank is actively engaged in supporting the agenda outlined, working closely with countries and in partnership with bilateral agencies and multilateral institutions. Future goals include:

- scaling up International Development Association (IDA) programs in low-income countries, supported by a record IDA-15 replenishment;
- bolstering support to Africa in priority development areas through our Africa Action Plan;
- strengthening the framework of support to countries in fragile situations and for response to emergencies;
- working with partners on both immediate and longer-term responses to the food crisis, along the lines of the New Deal for Global Food Policy proposed by the World Bank President;
- enhancing responsiveness of the World Bank to the evolving needs of middle-income countries, many of which continue to face major development challenges; and
- instituting a strategic framework and strengthening investment mechanisms to address the energy needs of developing countries and the broader climate change agenda.

There is a lot at stake on the development front this year. The World Bank looks forward to collaborating closely with partners in ensuring the success of the important discussions

scheduled for the coming weeks and months. As part of this collaboration, the World Bank looks forward to still closer partnership with the Economic and Social Council, to make the alliance between Council's political message and the Bank's comprehensive development focus even more effective and fruitful.

Notes

- 1 From the High-level Policy Dialogue on current developments in the world economy and international economic cooperation which took place during the 2008 ECOSOC High-level Segment, 30 June 2008.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 Ibid.

Chapter 3

THE DEVELOPMENT COOPERATION FORUM

Overview

As part of the efforts to strengthen the United Nations Economic and Social Council, Member States, at the 2005 World Summit, mandated the Council to convene a high-level biennial Development Cooperation Forum to review trends in international development cooperation, including strategies, policies and financing; promote greater coherence among the development activities of different development partners; and strengthen the normative and operational link in the work of the United Nations. The General Assembly, in its resolution 61/16, decided to launch the Forum in Geneva in July 2007 and to hold the first Forum in New York on 30 June and 1 July in 2008.

The 2008 Forum took place in a year in which the United Nations is involved in a broad range of actions to further the international development agenda. UNCTAD-XII, the High-level Event on the Millennium Development Goals and the Doha Review Conference on Financing for Development are all major United Nations processes and initiatives taking place in 2008. In addition, the High-level Forum on Aid Effectiveness in Accra (2 – 4 September 2008) brought further attention to aid delivery and management and making development assistance work better for improving the lives of the poor. With these intergovernmental processes in mind, the deliberations at the Development Cooperation Forum particularly served to provide strategic input to the Doha Review Conference and the Accra High-level Forum.

The conclusion of the first Development Cooperation Forum represented the first decisive step in positioning the Economic and Social Council as a key venue for global dialogue and policy review of the effectiveness and coherence of international development cooperation. The 2008 Forum also reaffirmed the demand for an inclusive and universally recognized space for discussions on international development cooperation. By giving voice to a wide range of stakeholders, including civil society, parliaments, local governments and the private sector, the Forum gave promise of becoming an effective global platform for representative, participatory and multi-stakeholder dialogue on major development cooperation issues.

The next Development Cooperation Forum will be held in 2010. Stakeholders are encouraged to continue to engage in the upcoming consultations and to interact with the Council and the United Nations Department of Economic and Social Affairs to ensure that all voices are heard in the preparations for the Forum. The Department will also continue to provide impartial, professional and responsive policy analysis and review of gaps and obstacles to effective and coherent international development cooperation.

The present chapter is divided into five parts. The first section offers brief summaries of the five keynote addresses delivered at the Forum. In the second section, the President of the Economic and Social Council summarizes the substantive recommendations that emerged from the Forum. The third section provides a comprehensive account of the six

high-level roundtables, while the fourth section presents a summary of the Secretary-General's analytical background report. The fifth section recaps the main preparatory events, including their key policy messages.

A - 2008 DEVELOPMENT COOPERATION FORUM

The DCF Brings Inclusiveness and Accountability to Aid Implementation¹

By H.E. Mr. Léo Mérorès
President of the Economic and Social Council
United Nations

Today is a milestone as we gather to hold the first Development Cooperation Forum (DCF) of the Economic and Social Council. We are inaugurating what will become a standing high-level policy dialogue on development cooperation engaging developed and developing countries and the range of development cooperation actors under the aegis of the United Nations.

When they created the DCF in 2005, world leaders assigned to it the responsibility to review trends in development cooperation, promote coherence among the different development activities of the different development partners and strengthen the normative and operational link in the work of the United Nations. UN Member States also mandated it to identify gaps and obstacles in development cooperation and make recommendations to make it more coherent and effective in pursuing the internationally agreed development goals (IADGs). This is a broad responsibility that we all have to face together. The DCF has thus to analyze, help in understanding and promote broad based action by a range of stakeholders to enhance development cooperation effectiveness.

The creation of the DCF comes at a time when there has been a dramatic change in development cooperation. The architecture of development cooperation is becoming more complex, and is being pulled in different directions, with the emergence of new actors and new approaches. The establishment of the Forum is a significant step in steering development cooperation towards the realization of the global partnership for development. This is essential as progress has been lagging behind in many areas of the global partnership. With the target date for the realization of the MDGs fast approaching, the DCF also stands as a powerful new mechanism to promote mutual accountability of development partners on commitments made to advance towards these goals.

This year, the DCF has a unique contribution to make on aid and aid quality. It is befitting that it focuses on these issues: it comes soon after UNCTAD XII, which agreed on broad commitments to extend the benefits of globalization to people living in poverty. It occurs some months before the Doha Conference on Financing for Development which will conduct a broad review of progress in the six areas of the Monterrey Consensus. It can make a crucial input into that conference on issues of aid and South-South cooperation. It is also well positioned to provide a broadly agreed input into the Accra High-level Forum on Aid Effectiveness to be held in September.

The need to take a fresh look at the issue of aid quality commitments, coordination and impact, from a universal and multistakeholder perspective, emerged from the process of

preparation for the DCF. The DCF in effect culminates a rich and thought provoking preparatory process. Two High-level Symposiums were held. The first one was hosted by the Government of Austria in April last year and focused on the experiences at the country-level in coordinating and managing development cooperation. The second was hosted by the Government of Egypt in January 2008 and focused on trends in development cooperation, in particular South-South and triangular cooperation and aid effectiveness. A global preparatory meeting was held in New York in March to take stock of preparations and discuss the expectations of Member States and other stakeholders for the upcoming forum and beyond. Finally, a Stakeholder Forum was held earlier this month in Rome with the support of the Government of Italy. Its theme was the role of national and local stakeholders in contributing to aid quality and effectiveness.

This preparatory process also demonstrated that the special value added of the DCF lies in its multistakeholder character. Your participation today shows the ability of the DCF to engage the range of development actors, governments from developed and developing countries, bilateral development cooperation agencies, foundations, global funds, NGOs, the private sector and regional and international organizations. Because of this, the voice of the DCF is unique, building as it does on so many different perspectives. Another special characteristic of the DCF is the fact that it is a Forum. We do not expect formal statements to be made. We expect a frank and thought provoking debate on development cooperation issues.

This objective has guided the preparation of the programme for this DCF. We have a rich programme ahead of us, with keynote addresses and parallel interactive special policy dialogue sessions. We will have the opportunity to debate issues ranging from the allocation of aid and national capacities for absorption of aid to South-South and triangular cooperation and the role of civil society in increasing the impact of development cooperation. We will also dedicate a session to the exchange of national experiences on how development aid supports national development strategies. We will hold a special policy dialogue on aid effectiveness, which will serve to define our input to Doha and Accra.

Our discussions will thus cover a rich array of issues. I will capture the gist of your debate throughout this Forum in a Summary, which will also serve as the input of the DCF into the negotiations for the Accra process and the Doha Conference.

Beyond specific thematic issues, we also have to reflect on the future of the Development Cooperation Forum. As soon as this ECOSOC session is over, we will start preparing for the next DCF in 2010. This year, we should provide some guidance on how best to develop the role of the DCF.

One aspect will relate to the follow-up to this week's discussions on aid. You might like to consider whether the DCF might need to take a greater on-going role in reviewing progress in scaling up aid, mutual accountability and aid effectiveness. The need for a Forum to undertake such a task has emerged in the negotiations of the Accra Action Agenda.

There are many other tasks ahead of the DCF. A range of other development cooperation issues need urgent attention. These include access to science and technology for

development. We must also remember that the DCF was asked by the General Assembly to undertake a regular review of international economic and development policies and their impact on development. With the increase in food prices, climate change and the current economic slowdown, it is abundantly clear that we need a place to debate the impact of such crises on development cooperation and to determine the steps to address negative impacts. I see a crucial role for the DCF in undertaking that task.

Ensuring Appropriate and Effective Distribution of Aid²

By Mr. Ban Ki-moon
Secretary-General
United Nations

I am delighted to convey warm greetings to the first Development Cooperation Forum of the Economic and Social Council. Expectations for this body are high. My personal hope is that this inaugural session will establish the Forum as the principal venue for review of and dialogue on international development cooperation.

The Development Cooperation Forum takes place in a year in which the United Nations is involved in a broad range of actions to further the international development agenda. UNCTAD-XII, the High-level Event on the Millennium Development Goals – which I will convene on 25 September, together with the President of the General Assembly – and the Doha Review Conference on Financing for Development, to be held later this year, are key United Nations processes. In addition, the High-level Forum on Aid Effectiveness in Accra in early September will bring further attention to aid delivery and management and making development assistance work better for improving the lives of the poor. The current impasse in the WTO negotiations also points up the importance of improving aid to ensure development.

Within this context, the Development Cooperation Forum will have a special niche in form – through its inclusive participation, broad ownership and interactive discussions – and its focus – on the effectiveness of development cooperation in supporting achievement of the MDGs and the other internationally agreed development goals.

I am convinced that the sharing of experiences of how development cooperation works at the country-level will highlight the challenges in this area facing the international development community as well as provide useful lessons on how to move ahead. Building on a number of preparatory events engaging a range of policymakers and practitioners, the Forum will help to bring discussions on the management, coordination and delivery of aid at the country level closer to the global discussions on development cooperation – and vice versa.

At the launch of the Development Cooperation Forum, a year ago in Geneva, I outlined the challenges that the international community faces in taking a decisive step forward in the global partnership on development. In particular, I emphasized the fragmentation and complexity of the international aid architecture. I also expressed concern that aid allocations are not always in accordance with agreed criteria and that programme countries experience severe constraints in trying to assume full ownership of their national development strategies. These challenges persist.

We have, in the last 12 months, witnessed a number of worrying trends which could affect implementation of the global development agenda, as I highlighted this morning in my opening address to the Economic and Social Council. Among them, spiralling food and energy prices, stoking inflation, have added to our challenges, endangering political

stability in some countries and leading to protectionist measures. Meanwhile, climate change is threatening to undo past development gains and is pushing more people into distress, leading to increased vulnerability and uncertainty.

These challenges make clear the urgent need to strengthen the global partnership for development. An essential demonstration of commitment to do this would be stepped-up efforts and actions by donors to reach the 0.7 per cent target for development assistance. The secular decline of ODA as a percentage of GNI was reversed for a time following Monterrey. Alarming, in the last few years, ODA has declined in nominal terms. Donors should not only move urgently to scale up aid, but this should be done in a predictable manner, through increased budget support, which will enable multi-year planning by programme countries.

This Forum can serve to strengthen the coherence and effectiveness of development cooperation by identifying obstacles for programme countries in realizing the full potential of development assistance as well as overall trends in development cooperation.

As all development actors now agree, without national ownership, there will be little progress towards sustainable development. Financial and technical assistance will have a clear impact only if it is aligned with national priorities. A good example of this is direct budget support, which strengthens national policy autonomy, provides greater flexibility and can substantially lower transaction costs. Programme countries need policy space to formulate and pursue their priorities, guided by the internationally agreed development goals, including the MDGs. Many countries, however, still have only limited capacities for negotiating, coordinating, managing and evaluating aid. There is an urgent need for coordinated international support to build their capacities in this area.

Another obstacle is that development assistance does not always go where it is most needed. Some countries enjoy the attention of the international community, while others find it harder to attract funding. As a result, some countries receive less aid than would be expected on the basis of their needs or performance. The allocation of aid across sectors is also cause for concern. Recent years have seen decreasing levels of aid for economic infrastructure and production. The decline in agricultural aid in recent decades is a particularly worrying trend in light of recent developments.

Aid continues to be burdened with conditionalities, which undermine national autonomy, lead to distortions in aid allocations and have a poor record in improving economic performance. Conditionality attached to the mechanisms of aid disbursement and accounting makes aid less predictable and can cause severe delays in disbursement. This makes it difficult for national authorities to plan and execute their development strategies. Aid also needs to be responsive to help countries adjust to exogenous shocks and sudden disruption.

Stronger mutual accountability is one route towards a more balanced relationship between donor and programme countries, in which both sides may be held to account for the performance of their obligations.

A significant global trend has been the enhancement of additional sources of development cooperation, especially South-South cooperation and private philanthropy. International development cooperation has indeed changed in recent years, and we are

still coming to terms with how best to ensure balance and coherence, while making the most of the new opportunities.

These changes demand our attention if we want to achieve improved international development cooperation with greater impact on the internationally agreed development goals. The Development Cooperation Forum provides an opportunity to better understand them and to build broad agreement on how to proceed – together.

The voice of the Forum will have a special legitimacy, anchored, as it will be, in a rich set of views and perspectives of the range of actors in development cooperation.

I encourage all stakeholders to take full advantage of the Forum, to raise new questions, perspectives and ideas on international development cooperation. Together, let us make this first Forum a success.

Reevaluating Aid Implementation Approaches to Realize Global Development Goals³

By Mr. Louis Michel

European Commissioner for Development and Humanitarian Aid

When the Millennium Goals were set in 2000, the means to achieve them had not been identified. Since then the global partnership for development has gradually taken shape, at least on paper. The Monterrey Consensus on Financing for Development, the Paris Declaration on Aid Effectiveness and, at EU level, the commitments made under the 2005 European Consensus on Development are the key drivers of this global partnership.

The European Union has played, and intends to continue playing, a very active role in this area.

Unfortunately, today, all the evidence points to the same thing: the level of achievement of the Millennium Development Goals is well below expectations. This is a worrying situation. Substantial progress has been made in some countries, but others fall far short of the targets. New challenges such as climate change and the food crisis add to the problem.

Still, it is encouraging to note that countries which put in place coherent, proactive and systematic policies manage, when aided financially, to alleviate poverty and make progress in areas such as health, education and equality between men and women.

The vision is there. We know what has to be done. But we are not doing it enough. And when I say "we", I mean of course donors - but also developing countries themselves, whose primary responsibility is clear. I am well aware of the role and ethical responsibility of the industrialised rich world. But we cannot ignore the decisive influence of the domestic policies of partner countries.

The major events of 2008 – Accra, New York and Doha – must mark a decisive turning-point. 2008 must create a genuine opportunity to reposition our strategies and reframe our development policies.

It is on the basis of this strong conviction that the Heads of State and Government of the European Union adopted very ambitious conclusions 10 days ago.

Let us look first of all at the volume of aid.

The EU reconfirmed, at the highest political level, its financial commitments for 2010 and 2015 and the Member States undertook to draw up multiannual timetables showing the budgetary feasibility of their promise.

I will not hesitate to point out here that the EU remains by far the most important partner for developing countries, contributing 60 per cent of world aid. The EU will also provide 90 per cent of the increase in international aid in the period 2006-2010 and the same percentage of additional aid to Africa promised by the G8 in Gleneagles.

This situation is difficult to accept. It is imperative that efforts be shared equitably. Today, the increase in international aid is being almost exclusively shouldered by the EU. This is proving increasingly problematic for public opinion.

The amount of aid is important, but it is not enough. We can no longer avoid the key concern of the effectiveness of aid.

The increase in aid volume, the proliferation of donors, the emergence of new players, the complexity of the challenges and an alienating bureaucracy based on increasingly out-of-touch rules and procedures have led to a technocratic and conservative downgrading of assistance which lacks a sound political basis in the best sense of the term.

The architecture of aid is no longer clear to anyone. Often we ourselves have difficulty in making sense of the sophisticated – if not labyrinthine – structures which our fear of doing the wrong thing and our concern to justify and guarantee everything have led us.

The increase in aid and the ever-increasing complexity of its international architecture requires a fundamental review of how aid is implemented.

The way we channel aid is increasingly inappropriate. We are unrealistic. Aid implementation, from initial decision to final implementation, suffers both upstream and downstream from Manichaean procedural distortions sometimes verging on the ridiculous.

The partner countries have to deal with a plethora of rules specific to each donor's national legislation.

All the donors agree: the work has to be divided up better. But when they are asked to actually do this, the old nationalistic, egocentric reflexes kick back in.

I often quote these figures, but they are striking. Is it normal that:

- in Tanzania, 600 projects of less than a million dollars each are underway in the health sector alone?
- in Kenya, 20 donors are jostling each other just to buy medicines – and go through 13 different procurement bodies to do so?
- at global level there are 56 bilateral and 230 multilateral donors, not to mention numerous foundations?

In recent years there has also been an inflation of vertical funds. It is as though the solution to every problem is to create a vertical fund accompanied, in most cases, by a reallocation of existing funds. Climatic change, for example, has already led to the creation of 10 vertical funds, all of which do more or less the same thing.

We are witnessing a real fragmentation – a "Balkanisation" – of public development aid, quite contrary to the principles of ownership and alignment proclaimed in all the international conferences.

This is unacceptable, particularly given that all the donors have already signed the Paris Declaration, which provides a clear framework for a change of approach.

More than a stock-taking exercise or a mid-term review, the Accra Conference is a test of credibility.

The Accra Summit must forge a major ambition: that of finally moving from talk to action. New commitments of principle are useless. Re-opening the debate on the Paris Declaration is equally useless. If misunderstandings with our partners linger, it is time to re-examine and dispel them once and for all. The Accra Summit must be very political and very frank.

I see four essential conditions, without which I believe we will not succeed:

- the division of labour, which must become a reality soon;
- the use of country systems, including budgetary, sectoral and general aid, must become the key instrument;
- results-based management. This means reviewing the way in which we define criteria. We can no longer urge partner countries to take ownership of their development strategies and make bold policy choices if we impose pre-conditions on them; these conditions limit governments' autonomy, particularly in the area of budget choices or even political choices such as privatisation. As a liberal, I am all for the market economy, but I accept that it must be controlled and driven at a steady pace, and that it is not unreasonable to sometimes structure it or exclude certain sectors, notably energy and agriculture;
- finally, the predictability of aid. At the level of commitments, we must push for multiannual planning of financial flows. At the level of payments, the MDG contract I have proposed constitutes an efficient and innovative response offering medium-term budget aid based on results.

Aside from these essential core considerations, we need an immediate, rapid impact response if the Millennium Goals are to be achieved.

To this end, the Heads of State and Government of the EU have drawn up an agenda for action.

The agenda was based in particular on the work of the High-Level Steering Group set up at the initiative of the UN Secretary General for the MDG in Africa.

Specifically, the agenda identifies a number of intermediate objectives for 2010 with a view to attainment of the MDG by 2015. It gives examples of sectoral measures the EU intends to take with a view to achieving the intermediate targets, together with quantitative evaluations of what this would entail in terms of increasing the volume of European aid in the different sectors.

This means, for example, that in the health field the EU would increase its financing by 8 billion euros, which would help purchase 75 million mosquito nets, save the lives of 4 million children every year, ensure that 21 million births are assisted by qualified staff, etc.

Similarly, in education, the EU would increase its financing in 2010 by 4.3 billion euros, thus enabling 25 million children to access primary school and 6 million teachers to be recruited and trained.

The situation is urgent. The developing world is in serious crisis.

First of all a food crisis, which is hitting the world's poorest hardest and jeopardising years of social, financial, economic and political progress. In response to this crisis, Europe has risen to its responsibilities. In the short term first of all. After the first signs of crisis we substantially increased our budget, setting aside 550 million dollars for 2008.

And Europe intends to do more. Looking beyond the immediate situation, the medium term is just as crucial. Resources are needed to help the developing countries cope with the rise in prices and in particular prepare for the next harvest in terms of seeds and fertilisers.

Finally: even if prices stabilise in the coming months, the impact of this food crisis will be felt for a long time. It is essential – and I have been saying this now for many years – to put policies in place that sustainably increase productivity and production in the agricultural sector.

In this respect, issues such as

- organisation of the production and marketing system,
- access to land,
- access to inputs and seeds,
- price guarantees,
- technology transfers,
- infrastructure to reduce isolation,
- energy and transport prices,
- the effects of climate change,
- land-use planning,

are all factors that interact and determine the capacity of poor countries to resolve this existential issue – in both the literal and the figurative sense.

We also need to clarify a number of controversial issues, such as the appropriateness of, and conditions for, the promotion of biofuels. Similarly, we need to overcome the ideological block where GMOs are concerned. There is also the crisis – different in nature but just as serious – of climate change.

The world is up against an alarming paradox. It is the poorest countries that are worst affected by climate change, but it is the developed world, and increasingly the emerging countries, that are largely responsible for the build-up of greenhouse gases in the atmosphere. It is therefore the developed world's responsibility to lead the fight to reduce emissions and help poor countries adapt to climate change.

Action must be collective. It must also be immediate. I strongly believe that it will be necessary, if agreement is to be reached at Copenhagen, to have the strong support of the poorest countries most vulnerable to climate change. This support can only be obtained by providing these countries with a level of resources for adaptation that is not just a recycling of the public development aid already promised. Innovative sources of financing are needed and this is the basis of my appeal, which I reiterate here, for the issue of a global loan. This loan, based on the carbon market, would consist in anticipating the income from emissions trading in Europe and would mobilise substantial resources for the fight against climate change.

It is time to act.

I wish to conclude by sharing with you both my frustration and my hope. Frustration: at the international community's inability to help a large part of the world out of a poverty exacerbated by the combined impact of climate change and food prices, even though we have never before had such extensive technical, financial and human resources.

But also hope: in "POLITICS", which, I firmly believe, will take full cognisance of the challenges facing us and provide the impetus for the quantum leap necessary to meet them.

The Changing Landscape and Dynamics of International Development Cooperation⁴

By H.E. Mr. Trevor Manuel
Minister of Finance, the Republic of South Africa
Special Envoy of the UN Secretary-General for the Doha Review

At the turn of the century, the world community set itself clear and measurable targets for development: the Millennium Development Goals (MDGs). From the outset, it was recognised that realising these ambitious goals would depend on a renewed and deepened partnership that included the need for wide ranging institutional reform at national and global levels and significant increases in the resources for financing for development.

But as Louis Michel reminded us yesterday, that vision – bold as it was – was not underpinned by a clear set of commitments and plans that each of us, as responsible members of the family of nations, would be held accountable to.

In Monterrey in 2002 the UN Member States came together in a partnership to solve this problem. Together, we identified areas requiring catalytic actions by both developed and developing countries.

The Monterrey Conference and its Consensus provided us with a compelling vision for common action. It generated innovative ideas and inspired us to make concrete progress in financing development. It brought all the international institutions tasked with economic governance together in a common framework providing focus for a collective global response to the critical challenges of poverty and human development.

The Monterrey consensus was a global partnership build on two critical pillars. First was the acceptance that each country has primary responsibility for its own economic and social development. Certainly the structure of the world global economy might remain a constraint on development. But the inequities of the past, no matter how much they are reproduced in the present, are no basis for rejecting the logic that sustainable development must rest on sound policies and good governance. The second element of our partnership was acceptance, that the delivery of these policies would call forth greater quantities of financing for development.

There would be symmetry of effort in building the conditions for development on the one hand, and ensuring that financial flows supported this process on the other. This is the essence of Monterrey and the partnership proposed in the consensus. But what was particularly important about Monterrey, is that we all made very specific, quantifiable commitments.

These targets were given even greater force when the G8 met in 2005 and put in place bold plans backed by clear resource commitments on ODA, on debt relief, on climate change and on meeting the Millennium Development Goals, especially in Africa.

Monterrey is for development what Rio is for climate change. It is the benchmark; the framework against which all of our efforts will be measured. It was an agreement whose

arrival was already overdue. Its promise cannot be lightly brushed aside. The commitments we made are unlikely to be forgotten. As new challenges arise, the correctness of Monterrey's remedies is likely to be reaffirmed. Its message will not be diminished through lack of progress on implementation, or on outcomes. Instead, its clarity of vision is likely to be reinforced.

It is with great honour that Minister Heidemarie Wieczorek-Zeul and I have accepted the Secretary-General's invitation to work as his Special Envoys for the Doha Conference. We are pleased to do so, because we believe that in the context of old and new challenges that the world faces today, the global partnership agreed to in Monterrey needs to be reaffirmed and strengthened. I want to take the liberty to say, on behalf of Minister Wiczorek-Zuel and myself, that we will not expect anything less than the best possible outcomes for Doha.

The durability of the outcome in 2002 was built on the strength of vision provided by the Millennium Declaration. At the same time, a number of factors focused our collective minds. The security threats made so real by the terrorist attacks, including those in New York City, on 9/11 were interpreted by some as underscoring the need for a global compact which could bind us together behind world development.

Another less obvious, but equally strong impetus for global partnership was the experience of the East Asian crisis of 1998 which highlighted the dangers to global growth and poverty eradication posed by both financial instability and the absence of inclusive world economic governance.

Against this backdrop, we have two basic tasks to undertake at Doha. The first is to review the progress we have made towards meeting the commitments we made together in 2002. In this regard we must be unequivocal in holding countries to account. This will prove to be extremely difficult – firstly, governments do not wish to be reminded of past commitments made; secondly, most governments tend to part reluctantly with financial resources, even to meet the needs of their own citizens, and the spirit of Monterrey is about partnership and parting with financial resources; thirdly, notwithstanding commitments made, we are likely to be reminded by various governments of the change in circumstance – increases in the costs of food, fuel and finance. These three factors will be in sharp relief in the landscape of development co-operation over the period between the present and the Doha conference.

The second and related task is to jointly define a series of measures to put us back on track to meet the goals our leaders had set at the Millennium Summit, confirmed at Monterrey in 2002, and underscored at Gleneagles in 2005. I say this because, as is reflected in the documents before this forum, we are clearly not on track.

Just as in the approach to Monterrey in 2002, there are many factors which should serve to focus our minds. The landscape of financing for development has been shifted by new dangers in an ever more interdependent world.

Central to these are the interconnected set of crises that we could summarise in three (English) "F words": Finance, Food and Fuel.

The crisis in finance in part reflects the failure to heed the lessons of 1998. Although the epicentre of the financial disruption is very different now, many of the underlying factors that were responsible for 1998 are similarly present: global imbalances, weak financial governance at various levels, asset price bubbles and the failure to take seriously the words of the Monterrey Consensus that say (at paragraph 52) “In order to complement national development efforts, we recognize the urgent need to enhance coherence, governance and consistency in the international monetary, financial and trading system”.

The global food crisis partly reflects a series of supply side factors. But its impact, particularly on the poorest is a measure of our failure to change the world of financing for development. Had we consistently and resolutely implemented what we said in 2002, the dangers that the food price spike poses for political stability and social cohesion may have been less severe. And perhaps we would have been better able to respond to the direct threat that these development pose to the realisation of the Millennium Summit’s vision. World Bank President, Mr. Robert Zoellick suggests that the renewed hunger and the concomitant resource diversion in poor countries could put the attainment of our goals back by 5-7 years.

Many gains have been made in creating conditions for the domestic mobilisation of resources. Many of these are threatened by the high price of fuel, especially in the oil importing countries. At the same time, fuel prices threaten to exacerbate the challenges in finance and in food. In respect of oil, we must also take a consistent long-term view of the problem – pumping more oil will increase emissions and, at anywhere close to current prices, will merely further distort the global imbalances.

All of this goes to show that procrastination will not make our problems go away. Monterrey sought to respond to a particular set of challenges, in a particular time frame, in part occasioned by a compelling set of development imperatives. The more we postpone the implementation of the response we designed the more these challenges will press upon us. They will not go away.

This is why countries must be held accountable for the commitments they have made. Accountability means merely following through on the decisions taken and respect for multilateral approaches.

Partly, changing the landscape of development cooperation will be achieved through strengthened governance, at both national and global levels. Our objective should be a framework in which a dollar of aid spent in a recipient country can be measured against a dollar spent in a donor country, and the results of these expenditures would be equalled across a common, and universally acknowledged unit of account.

I want to emphasise once again the intolerable example of Tanzania that Commissioner Louis Michel mentioned yesterday: 600 projects, each worth less than one million dollars, in one sector, in one country. It would be interesting to multiply these figures across the developing world.

Over the longer term, the problems of food and fuel – which rest on fundamental shifts in underlying economic conditions – require major transformations. Lord Stern put it nicely yesterday in the high level segment – resolving the food crisis requires an expansion of (food) supply, whilst the fuel crisis requires a reduction in (oil) demand.

But these shifts in supply and demand cannot be achieved overnight. In the short to medium term they will make the challenges we sought to address at Monterrey even more pointed.

Recently, the OECD Director General, Mr. Angel Gurría, tried to press home the fact that “poverty is the ultimate systemic risk. It is the breeding ground for the proliferation of terrorism, armed conflict, environmental degradation, cross border diseases and organized crime”. He went on to say: “Development co-operation is an important part of the solution to this global challenge, and it starts with development assistance”.

But the truth is that we are a long way from meeting our commitments. That is what the OECD has reported.

If we do not meet our commitments a number of adverse consequences will result. The global community will begin to lose faith in the credibility of commitments that global leaders make at so many summits. Unlike the UNFCCC, the Monterrey proposed no legally enforceable mechanism, backed by clear consequences of the failure of countries to meet their commitments.

Second, if we fail to meet our commitments in terms of ODA made at Monterrey, what hope will the world have in our ability to confront the looming challenge of climate change?

The EU has proposed one way in which we can ensure our commitments are met. This is the adoption of rolling, multiannual indicative timetables that illustrate how donors aim to reach their ODA targets. Perhaps one element of the package that could inspire recommitment to the Monterrey consensus in Doha is the acceptance of this commitment across all DAC donors.

Perhaps the shift in the global economy that have taken place over the last five years have created new opportunities to address the challenges posed by Monterrey. For instance, the World Bank has recently proposed that 1 per cent of equity held by Sovereign Wealth Funds be made available for African development.

However we approach these matters, we must be unequivocal in our resolve in bringing countries to account on their prior commitments. Procrastination will never make our problems go away.

Between now and November there are a number of critical milestones along the path: the HLF on Aid Effectiveness to be convened in Accra; the International Policy Dialogue on FfD and the MDG's in Berlin; New York in September for both the negotiations on the Doha document and the High-Level meetings on Africa's development needs and on the MDGs; the Annual Meetings of the World Bank and IMF and the Doha conference itself.

Perhaps what we should ask ourselves from this inaugural Development Cooperation Forum forward, what are the key elements that we expect from ourselves. We have to return the world's leaders to an understanding of interdependence – it was there at Monterrey, it must now be reinstated. Failure is not an option. It is the effort in this regard that will define the landscape and dynamics of international development cooperation over the next 5 months to Doha and beyond.

Improving Aid Effectiveness in the New Landscape of Development Cooperation⁵

By Mr. Supachai Panitchpakdi
Secretary-General
United Nations Conference on Trade and Development

We believe there is no “one size fits all” in our development strategies; aid disbursement must be carried out in such a way as to take into account each country’s needs and requirements. Development agendas are constantly evolving. At times we have emphasized the importance of markets; at other times the role of governments, the centrality of aid to the social sectors, or alternatively the centrality of aid to infrastructure. Some donors have insisted that aid should be conditional on “good governance”. Evolving theories and agendas will also influence aid architecture.

Whatever the current theory, aid requirements will only increase as a result of today’s food and energy crises. It is crucial that we be aware of this in dealing effectively not only with the present crises, but also with future ones.

Which brings me to “aid for trade”. Aid and trade must no longer be thought of as two separate spheres; they are inextricably linked as one vehicle for development. Aid *for* trade is part of the Doha Round. So even in such areas as capacity-building, adjustment and implementation, we are talking about new forms of aid that will mainstream trade into development strategies.

Another point to be stressed here is the increasing complexity of development cooperation itself. We are seeing a proliferation of donors and, significantly, the emergence of non-DAC donors. No longer just bilateral or multilateral in nature, the dynamics of aid assistance are becoming more triangular. There are more grants than loans, and the private sector is playing a growing role. Philanthropic organizations in particular are disbursing “vertical funds” for specific sectors like health and the environment. All of these factors are contributing to the complexity of today’s development cooperation landscape.

But despite increases in aid over the last couple of years, as Minister Manuel has said, the DAC ODA targets of 2005 have still not been met. Although disbursements have risen by two thirds over the past four to five years, most of this has gone into debt relief – if you can count debt relief as part of ODA. Aid levels dropped during the early 1990s, which means that the level of real aid per capita at the beginning of the millennium has not really progressed beyond the levels of the 1970s and 1980s. In addition, much of the assistance has been linked to such conditionalities as governance and institutional reform.

I will turn now to several related features of ODA and development cooperation – “additionality”, aid effectiveness, conditionalities, and the new landscape of aid financing.

The contribution of additional funds, or “additionality”, is problematic, as the process often lacks clarity. A discrepancy can arise between donors’ and recipients’ perception of “additional” funding when “new” funding does not necessarily result in increased aid flows to the recipient country. Should debt relief, for example, be construed as a contribution towards ODA? According to the Monterrey Consensus, debt relief must be fully financed by *additional* resources.

UNCTAD's *Trade and Development Report 2008* dealt with this issue of additionality by applying econometric analysis to it for the first time. This involved classifying donor countries into three groups: the “parsimonious” or “small” donors; the “generous” or “big” donors; and those who are somewhere inbetween. According to our analysis, for generous donors there was less evidence of additionality than expected, while for the other two groups there was no statistical evidence of any additionality whatsoever. I have cited this to emphasize that we cannot speak about additionality without conducting rigorous analysis, and that we cannot escape the question if it is not addressed effectively today. The problem of clarifying additional funding is compounded with every crisis and with every new fund, including the Climate Change Adaptation Fund, the Aid for Trade funding arrangements, the Enhanced Integrated Framework and so forth. All of these funds are supposed to constitute additional financing, but we need to make sure they are perceived as such by both donors and recipients.

I am sure that aid effectiveness will be much debated in the months leading up to the meeting in Accra. Normally, effectiveness of aid assistance is measured on the basis of such criteria as the administration of ODA, its ownership, conditionality, delivery, mutual accountability and the harmonization of its programmes. I would like to suggest that we evaluate that effectiveness in a new way, one that emphasizes *development*. This means measuring it not just in terms of aid effectiveness, but in terms of its effectiveness for development.

When we talk about development effectiveness, first and foremost we have to look at whether ODA has flowed into sectors that can help enhance economic infrastructure, which can in turn contribute to development and poverty reduction. Our empirical analysis has shown that sectoral ODA has been disbursed to support capital formation in productive sectors and infrastructure investment. By creating additional value, additional income and additional productive capacities, ODA becomes truly effective.

But ODA has not always been harmonized with the needs of individual countries. We would normally expect that in order to achieve development effectiveness, donors would target countries with very low levels of investment as a proportion of GNI. We would expect ODA to flow into countries that lack the means, do not have enough revenues, cannot borrow anymore or receive no foreign direct investment, and therefore require supplementary assistance. But our analysis reveals no such correlation.

Similarly, there is no correlation between countries' Human Development Index rankings and the amount of social aid they receive. But if the MDGs in social areas are to be achieved, there must be greater harmonization between the two. Real efforts are needed to generate growth if development effectiveness is to be realized. If assistance does not lead to growth, the capacity to reduce poverty cannot be achieved. Again, this calls for channelling more ODA into productive areas and economic infrastructure.

Let me now turn to the issue of conditionalities. At present, conditionalities are being extended beyond the economic sphere into very broad areas of domestic governance. This calls for in-depth reflection, as it is uncertain that these kinds of conditionalities have any role to play in the achievement of the MDGs. Again, imposing such conditions on recipient countries tends to discount the multiplicity and complexity of governance itself, and the different ways in which it functions in different countries. There are a multitude of cultural, social, political, economic and historical factors to be considered when defining good governance and good institutions. Furthermore, the process of poverty elimination may differ from country to country. So far, the conditionalities that have accompanied ODA seem to restrict the ability of recipient countries to map out their own economic policies and development strategies, thereby reducing recipient ownership and policy space.

Another point is the amount of ODA. According to recent UN reports, there is a clear gap in aid, and if this gap continues up to the MDG target achievement date of 2015, there may well be a US\$ 400 billion shortfall in ODA targets.

I wish also to discuss the different kinds of financing that have recently emerged to supplement ODA, all of which have to be coordinated in order to avoid confusion. For example, Germany has suggested that to support adaptation funds, it might be appropriate to mobilize funds from auctions of carbon emissions quotas. This is a totally new area for fund-raising. Private sector aid, consisting mainly of vertical funds, is another source of finance, particularly in health care. But for health care and health assistance to be effective, the whole system must be targeted, not just specific diseases or sectors.

My last point concerns the emergence of new and non-DAC donors, for example in the context of rising South-South economic cooperation. This aid has doubled over the past couple of years, and although it amounts to only 3 per cent of total DAC assistance, recipient countries are very amenable to it, as it is not loaded with conditionalities.

I would like to end by quoting President Wade of Senegal, who said, "I am a firm believer in good governance and the rule of law, but when bureaucracy and senseless red tape impede our ability to act, and when poverty persists while international functionaries drag their feet, African leaders have an obligation to opt for swifter solutions".

B - OFFICIAL SUMMARY OF THE ECOSOC PRESIDENT

The official summary of the President of the Economic and Social Council reflects substantive recommendations on practical measures and policy options made at the Forum with a view of enhancing the coherence and effectiveness of international development cooperation:

1. Policy coherence

- *Mutually supportive policies* on trade, debt, investment, technology, climate change, food security and systemic issues are critical if development cooperation is to have a meaningful impact. This includes *policy coherence* across the core areas of the Monterrey Consensus, which constitutes the international framework for cooperation for development.

2. Aid commitments and aid allocation

- Meeting *aid commitments* is indispensable to the realization of the internationally agreed development goals (IADGs), including the Millennium Development Goals. Budget targets for annual increases through to 2015 need to be set for effective delivery of aid commitments;
- Aid allocation is not *adequately balanced* across countries and sectors and does not maximize progress towards the IADGs. Regular review is required to ensure that aid allocation is predictable, responsive to the *needs* of programme countries and oriented to maximize *development results*;
- More transparent criteria is needed for aid allocation *across programme countries*, based on multidimensional poverty indicators, structural vulnerability to exogenous shocks and development results;
- In terms of *sectors*, increases in aid should particularly support *agriculture* and *food security*, economic infrastructure and energy, and trade; all sectors crucial to sustained development and for which many programme countries have designed sector specific strategies; and
- In terms of *modalities*, *budget support* should be increasingly used as a preferred modality for delivering development aid due to its positive effects on national ownership, disbursement speed and use of national systems.

3. Towards consensus on the aid effectiveness agenda

- The aid effectiveness agenda should move towards broader agreement by setting *measurable targets* for untying aid, transforming technical assistance, reducing conditionality, maximizing concessionality, increasing multi-year predictability and improving flexibility to combat exogenous shocks;
- *Mutual accountability* processes at the country-level should be strengthened through defining good practice standards and reinforcing national capacity and leadership;

- The implementation of the Accra Agenda for Action will need to demonstrate that it is able to go *beyond commitments in principle and procedural changes* by producing real change in the behaviour of development actors with the objective of achieving sustainable development results; and
- Greater *transparency* on aid must be a key outcome of further strengthening the aid effectiveness agenda, by making all aid agreements, policies and data publicly available to facilitate scrutiny by parliamentarians and other stakeholders.

4. Country-level capacities for coordinating and managing aid

- Programme countries should develop effective *aid policies*, with donors supporting these efforts by intensifying capacity-building on aid analysis, policy, negotiation and evaluation of results;
- Concerns about *absorptive capacities* need to be resolved by joint comprehensive assessments of bottlenecks, including donor and programme country procedures; and
- *Capacity development* on aid policy should be further extended to a multitude of stakeholders, particularly parliamentarians, civil society and local governments.

5. Country-driven national development strategies

- Effective frameworks for guiding national development need to be developed through *inclusive processes*, involving all relevant stakeholders at the country-level;
- National development strategies, while entirely country-driven, also need to be *responsive* to the IADGs, including gender, the environment and human rights, with programme country strategies containing clear goals and action plans; and
- *Conditionalities* remain a key concern because of their impact on policy space and country leadership of development, as well as negative effect on aid predictability. Targets should be set for sharp reduction in such practices.

6. Non-State development cooperation providers at the country-level

- The IADGs, including the Millennium Development Goals, will not be achieved without strong involvement (including financing) by civil society, businesses, foundations and global funds. The comparative advantage of these actors is clear in terms of reach and efficiency, yet at the same time their efforts need to be *fully supportive of national priorities*;
- Development cooperation channeled through civil society organizations, global funds and the private sector needs to be *integrated into an enlarged aid quality framework*, which takes account of the particularities of these actors, while demonstrating clear effectiveness in achieving results. The engagement of these actors should be in conformity with the priorities of programme countries.

7. South-South and triangular development cooperation

- A process is needed to facilitate the *exchange of information and enhanced analysis*, through which other development actors can learn the positive lessons from South-South and triangular development cooperation, especially in technical assistance/capacity development, infrastructure, regional programmes and rapid delivery of development results; and
- Recognizing that South-South cooperation is a complement to North-South cooperation, these lessons could be used to arrive at more widely agreed *development cooperation practices and objectives*, to help programme countries access and use the best available assistance through a nationally-owned framework.

8. The Development Cooperation Forum should:

- Further strengthen the *voice of all stakeholders*, including civil society, parliamentarians, private sector and local governments by supporting inclusive high-level dialogue on key development cooperation issues;
- Give due consideration to the *broad range of issues* which affect the effectiveness of development cooperation such as climate change, food security and policy coherence;
- Continue to provide *independent and high-quality analysis* of development cooperation issues and ensure a comprehensive and inclusive international debate on this agenda;
- Play a key role as an international *mutual accountability mechanism* that will draw together analysis of progress in national and global-level mutual accountability processes, and thereby contribute to holding donors and programme countries to account; and
- Focus its meeting in 2010 on playing an instrumental role in developing a more *inclusive framework* for guiding effective development cooperation, taking into consideration the concerns of stakeholders.

C - HIGH-LEVEL ROUNDTABLES

Roundtable 1*: Allocating More Aid: Where Should It Go?⁶

The objective of aid is to help ordinary people escape poverty on a sustainable basis in countries that are poor and slow-growing. These countries typically have a desperate shortage of proper wage employment which pushes far too many unsuited people into the role of being petty entrepreneurs. The structure of economic activity in any industrialized society shows that given a choice most people opt for wage employment rather than self-employment. Aid should accordingly be focused on unblocking the limitations to private sector development and to employment in the private sector.

In addition to the creation of jobs, ordinary people depend on the provision of basic social services. With regard to how basic social services should be provided, the image of Europe in the 1950's is often evoked as the ideal. In those years, a number of countries were characterized by self-motivated publicly employed workforces who internalized the goal of providing social welfare with little need for close monitoring or high remuneration. However, in societies where these conditions are not present, the model does not work. This also begs the question of whether the model is appropriate for any country in today's world.

What is needed is a radical leap away from thinking of Europe in the 1950's. It was felt by some participants that the international community needs to increasingly move to a different architecture of non-public provision of social services, using multiple channels of delivery financed by public and private money with close monitoring and high-powered incentives. Experiences show that thinking of development as a trajectory, following one model of progress, will not bring about expected and desired changes.

Aid based on needs and delivered in accordance with capacities

The question of where aid should go is often confused with the question of how aid should be provided, that is, the modalities by which it should be delivered. As a result, the allocation of aid is often based on an assessment of the modality by which it is delivered. Instead, aid should be allocated in accordance with needs and the selection of the most appropriate aid modality should be of secondary concern. While governance indicators play a predominant role in deciding the envelope for each country, the quality of public administration and governance should rather be an essential element in the choice of aid modality.

Structural economic vulnerability should play an increasing role in determining the allocation of aid. Introducing the aspect of vulnerability would provide equal opportunities and compensate for structural disadvantages, such as the inability of small states to reap advantages of scale in social service delivery. In addition, it increases the effectiveness of aid in countries that are vulnerable to shocks, helping attenuate the

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negative effects of such shocks. The economic vulnerability index established by the United Nations Committee for Development Policy could be extended from its current use of identifying least-developed countries to also be used as a criterion for aid allocation.

Similarly, exceptions to trade rules by the World Trade Organization build on this system of classification. The current classification, however, does not differentiate between different development needs. Privileged access is therefore not necessarily granted to countries that are not established in global manufacturing. A refinement of classification should apply for the trade rules of manufacturing.

At the same time, middle-income countries are apprehensive that increasingly selective aid will exclude large swathes of poor people in these countries from much needed assistance. This is of particular concern since middle-income countries are also severely affected by the price increases in oil and food, indebtedness, limited exports and agricultural subsidies in developed countries.

Budget support to leverage good performance

Aid is reasonably well delivered in countries with an effective and capable state, yet good delivery models for countries with weak state capacity are hard to come by. Applying the same model of aid delivery in both scenarios will only yield results when state capacity exists. The current donor response is to reinforce efforts when they produce results while scaling back in environments where aid does not produce the expected outcome. Hence countries with relatively stronger public administration attract more aid while those with weak capacities receive less.

In reasonably capable states, aid is provided most effectively using budget support. In addition to promoting national ownership of the development process, budget support eliminates the need for large in-country aid programme and it is therefore also a simple mechanism for donor harmonization. Yet countries with good budget systems do not necessarily receive more budget aid. Following the same logic regarding capable states, debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) should not be extended to countries with the weakest capacities since this is tantamount to offering budget support.

At present, a mechanism to reassure that budget systems are suited for budget support does not exist. To avoid moral hazard the assessment of budget systems needs to be separated from the agencies providing the resources. One approach would be to establish an international independent certification system to assess whether budgetary processes are satisfactory for large budget support. Three separate processes would be needed:

- Capacity development efforts for building budget systems;
- Certification mechanism to certify budget systems;
- Large-scale budget support to countries that have satisfactory certification systems.

Responding to realities on the ground

Structurally insecure environments need the use of finance to be extended to insurance against vulnerability. Aid also needs to be extended to provide insurance for real security. In this connection, the rationale for the United Nations to separate entirely the financing of peacekeeping and development, with no possibility of allocation between these roles, is questionable. Instead, it was felt that the 0.7 target should be increased and include resources for international peacekeeping, allowing countries to count international peacekeeping towards their development efforts. Finally, development assistance needs to be more responsive to changes in circumstances, in particular:

- *Political changes*: Reforming governments in the poorest situations should be able to immediately call on substantial and rapid technical assistance followed by scaled-up financing;
- *Strategic opportunities*: Focusing overly on short-term poverty needs may divert attention from needed improvements in areas such as infrastructure. While long-term development is important, the long-term success is nevertheless dependent on also addressing short-term challenges, for example protecting urban poor from increases in food prices;
- *Changes in prices*: Post-conflict situations typically mean construction booms followed by acute increases in construction costs. Donors need to consider redesigning projects to accommodate such fluctuations and build this into decision-making processes.

Whole-of-government approaches

As an important measure in achieving development effectiveness, whole-of-government approaches go beyond looking at aid as the only development policy and recognize the wide range of policy options available. Governments have often done a poor job of coordinating across different departments and ministries, in particular in terms of fighting hunger. Development efforts in this area are weakened by food policies which have been captured by sectional agricultural interests in developed countries resulting in policy distortions.

Roundtable 2*: South-South and Triangular Development Cooperation⁷

Pursuing different approaches

A key principle of South-South cooperation is non-intervention in the internal affairs of partner countries, which underlines the credo that South-South cooperation constitutes an additional option, not an alternative, to North-South cooperation. While developing countries emphasize the absence of conditionality, donors point to the trinity of governance, stability and peace in programme countries in achieving sustainable development results.

While developing countries have focused primarily on productive sectors and infrastructure development, DAC donors⁸ have followed the Millennium Development Goals closely and allocated most of their resources directly to poverty reduction. Greater convergence between South-South and North-South approaches to development cooperation will remain elusive as long as the impact on economic growth is not assured by the expansion of South-South cooperation into social sectors.

Tenets for effective South-South and triangular cooperation

Successful South-South cooperation rests on equality, mutual benefit and credibility through delivering on commitments. The close ties of many developing countries as well as similar economic situations and shared understanding of the development policies needed in their respective contexts contribute to effective South-South cooperation. It allows developing countries to address common objectives, agree on partnerships and take advantage of the experience of peers at similar levels of development.

South-South cooperation also offers flexibility in terms of programming and agreeing on terms and conditions of financing, without conditionality. However, as in North-South cooperation it is imperative that programme countries show leadership by defining priorities and needs. Tenets for effective South-South cooperation include:

- Respecting sovereignty of programme countries;
- Adapting good practices to the specific conditions of individual countries;
- Starting out small with projects and programmes;
- Bringing the comparative advantage of different development actors to bear (e.g. financial resources of developed countries and appropriate technologies and low costs of developing countries);
- Using in full existing authoritative cooperative mechanisms, such as the United Nations.

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In addition, South-South cooperation should contribute to safeguarding the common interests of developing countries. These countries should take an active part in formulating international economic, financial and trade rules, exerting more influence in international affairs and decision-making and seeking greater policy space for their development. As developing countries grow in strength, they should also increasingly engage in South-South cooperation with regard to trade, investment, science and technology, infrastructure, health and education. Finally, developing countries should enhance coordination and make effective use of multilateral mechanisms.

Learning from countries

South-South and triangular cooperation is an integral part of international development cooperation and efforts to help developing countries achieve sustainable growth, stable development and becoming less dependent on external aid. These forms of cooperation are also beneficial in terms of enhancing the capacities of source countries by learning from supporting and guiding others.

Dialogue on aid effectiveness is encouraged with Southern contributors, in particular in the pursuit of better development outcomes by improving aid transparency, debt sustainability, environmental considerations, human rights and governance. Collaboration between different development actors could provide good practices for the development of international rules on capacity building through harmonized development cooperation. In particular, there is scope for establishing a financial instrument to support capacity development between partners in South-South cooperation.

Creating awareness of what works

There is need for further analytical and statistical work on South-South and triangular cooperation, in particular clearer data through disaggregating various components such as technical cooperation, trade, etc. In this regard, the Secretary-General's analytical background report provides a starting point in terms of available data.

In addition, evaluation of South-South and triangular cooperation is needed in order to improve transparency and enhance independent management of development cooperation by programme countries. It would also be useful to further expand the knowledge of instruments and practices for evaluating the impact of these forms of cooperation with regard to poverty alleviation.

A mechanism should be contemplated to coordinate South-South cooperation among developing countries, in particular to create more awareness and better match the needs of programme countries with the opportunities offered by other developing countries. On the other hand, there is opposition against engaging in policy dialogues to coordinate and harmonize development cooperation at the country level, in particular since these are assumed to build on the existing work and terminology of the OECD/DAC. In this regard, the term 'emerging donors' should be confined to describe members of OECD which are not members of OECD/DAC.

The role of the United Nations

The United Nations system is an important actor in coordinating and supporting South-South and triangular cooperation, including at the country level. The Special Unit for

South-South Cooperation within the United Nations Development Programme should have adequate technical and financial resources to serve this purpose. Similarly, South-South and triangular cooperation should be mainstreamed in the operational activities of the United Nations development system, in accordance with the recent mandate provided by the General Assembly.⁹

With development policies invariably marked by politics, deeper political dialogue on development issues is often avoided. The Development Cooperation Forum, however, is particularly suitable for engaging participants in such discussions, including South-South and triangular cooperation. At the same time, the Forum could become a principal venue for developed countries to better understand the needs and priorities of developing countries. The Development Cooperation Forum also has a role to play in monitoring and evaluating international cooperation and the fulfillment of aid commitments.

Roundtable 3*: How are Civil Society and New Actors enhancing Impact at the Country Level?¹⁰

Reaching remote and deprived populations

The main comparative advantages of civil society, businesses and new actors in providing and contributing to development cooperation at the country level lie in research, capacity building and innovation. In reaching remote and deprived populations, these actors often achieve an impact in a way that governments are not always capable of.

Civil society organizations, for example, play an essential role as service providers and as agents for advocacy and information dissemination due to their proximity to local communities. The added value of these organizations is particularly attributed to their ability to take greater risks than government entities thereby increasing the number of available policy options. For the same reason, governments should increasingly leverage the resources of civil society in terms of innovative ideas.

Multistakeholder dialogue between civil society, the business community, local governments, parliamentarians and government is essential in order to focus development efforts and to ensure alignment. Meanwhile, civil society also plays an important oversight role by providing feedback to government in terms of monitoring and evaluation of development policies and acting as watchdogs by denouncing undemocratic practices, human rights violation and inefficient public expenditures.

Challenges in working together

The voluntary nature of funding compels non-profit organizations to be more focused on actual service delivery than most government entities. The nature of contributions to these organizations further suggests a strong incentive to improve results in order to secure continuous funding. However, the lack of accountability and transparency of the activities of non-profit organizations and how they allocate funds are causes for concern.

In terms of attracting staff, non-profit organizations benefit from less competitive salaries in the public sectors in many programme countries to the detriment of building and sustaining national capacities. These organizations should therefore approach internal staffing decisions as an extension of their capacity-building goals and they should seek to enhance local-level expertise on a non-competitive basis.

Despite good intentions, non-profit organizations are often short of the technical knowledge to engage constructively with governments and donors in policy formulation and finance. In addition to limited technical and analytical skills, lack of coordination among different groups and of information in rural areas, which constrain participation in decision-making processes, also hamper the impact of civil society.

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Engaging the private sector

Similar to civil society, the private sector plays a key role in development cooperation. Net private capital flows to developing countries reached more than \$1 trillion in 2007, dwarfing development aid. More than simply bringing in direly needed funds, businesses also enhance implementation capacity by increasing project management skills, construction expertise and the ability to efficiently run and maintain operations. Further advantages include training, growth in small- and medium-sized enterprises, improved investment climates and social investment. Although some tools exist to document the development impact of the private sector, they primarily serve to inform business decisions.

The private sector may support development either through core business activities, generating employment and wealth, or through targeted social investment funds which specifically address development needs. Traditionally, development activities have been performed as a separate activity, but sufficient scale can only be achieved if these activities are associated with the core business of enterprises. Policy makers need to understand that private sector involvement will only be sustainable and scalable if enterprises are able to combine development with commercial viability.

One approach in respect of agriculture is to implement programmes that allow large companies to source from small farmers which have traditionally been side-lined in the global value chain. This leverages the potential of trade for the benefit of the poorest. Another example is the Affordable Medicines Facility for Malaria which takes advantage of the pharmaceutical industry applying segmented pricing to make malaria treatment affordable to the poor.

Public-private partnerships are essential in complementing the work of governments and play a crucial role in both governance - by elevating links with affected populations to an institutional level - and in implementation - by targeting resources and investments to the strengthening of community systems. One reason the Global Fund to Fight AIDS, Malaria and Tuberculosis has become the predominant multilateral supporter of programmes fighting the three pandemics is because it relies on partnerships between civil society and governments in both policy design and implementation. For these partnerships to flourish, shared learning of both good and, especially, bad experiences is needed. One example is the planning and financial cycles common to development banks, which are too inflexible to allow private companies and local entrepreneurs to invest.

Changing mindsets

A change in mindsets is needed in order for the business community to increasingly view the low income segment as real economic actors and desirable participants in the business process. Similarly, the international community should move away from a welfare and dependency mentality which is embedded in the term 'aid'. While a dependency relationship between a donor and a recipient is inevitable in respect of humanitarian efforts, it does not resonate well with human development goals seeking to empower individuals to pursue their own sustainable development. Yet soaring food and energy prices along with increasing poverty indicate that aid will be needed for a long time to come.

Roundtable 4*: Are Country-Level Capacities Adequate for the Task of Increasing Aid Absorption?¹¹

From alternative aid delivery to budget support

As part of government capacities to manage development on the whole, the capacity to coordinate and manage aid is critical for putting assistance to good use. However, the ability of programme countries to absorb aid is not only determined by their capacities, it also depends on the capacities and willingness of donors to predictably align their support to government programmes using country systems. The modalities by which aid is delivered play an important part in taking full advantage of existing systems.

Countries with weak capacities need greater use of projects and alternative delivery channels such as non-governmental organizations. Multiple channels of delivery provide much needed assistance, however the actors involved are not easily linked to existing national accountability mechanisms. As government capacity is improved, these modalities should be replaced by increasing the use of budget support through government systems.

In some countries concerns about absorptive capacities may be legitimate, yet they should not be used as an excuse for sustaining traditional development cooperation modalities which undermine the principles of the Paris Declaration on Aid Effectiveness. Since different donors have different definitions of absorptive capacities, establishing clear criteria in this area would enable programme countries to better prepare their capacities for scaling up aid.

Weak correlation between strength and use of national systems

Budget support, whether sectoral or general, offers real advantages by pooling donor funds into a larger lever for more systemic outcomes against a national plan owned by the government. While budget support delivers the best results, accountability processes in donor countries are not easily adapted to new aid modalities. Similarly, donor systems are a function of rules and procedures that cut across government departments. Berating aid agencies can thus be of limited effect since reform ultimately will have to come from the political level.

As a related aid modality, sector-wide approaches may release latent capacities of government entities that otherwise are focused on performing perfunctory duties such as paying salaries. Yet sector-wide approaches are only effective as long as the number of donors is limited since different strategies and policies may otherwise contribute to an overly complex and slow approach.

It has previously been assumed that building the strength and reliability of country systems would prompt donors to enhance their use thereby also increasing budget support and putting aid on budget. Despite improved country systems, donors are not changing

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behaviour to take advantage of the systems in place. In fact, there is weak correlation between the strength of country systems and the level of use. The lack of use has adverse effects on building capacities which in turn has negative consequences on the potential for and impact of further scaling-up.

The donor burden

Circumventing government systems erodes the absorptive capacity of programme countries. It also wastes time. In some examples, the process of agreeing and signing off on a programme may take years, only for the procurement process to add additional years to the actual implementation. Curbing fiduciary risks should not become an end unto itself but should be held up against the need for responsiveness and the achievement of results. At the same time, programme countries also need to be given adequate time to improve capacities.

Still, donors are continuously putting great demands on programme countries. In 2007, 49 countries received roughly 14,000 donor missions. Donor fragmentation runs counter to the needs of developing countries and it has a direct impact on how aid is delivered. In Tanzania, for example, 600 projects are valued at less than US\$1 million in implementation and Uganda has to deal with more than 600 aid instruments. Nevertheless, providing real incentives to roll back fragmentation is proving exceedingly difficult. At present, the preferred approaches are mostly limited to establishing performance frameworks at the country level and exerting peer pressure amongst like-minded donors.

Some countries have seen an increase in the use of country systems. Zambia, for example, witnessed a 25 per cent increase between 2006 and 2008. However, preliminary findings of the 2008 Survey on Monitoring the Paris Declaration indicates that the use of programme country public financial management and procurement systems stands at 47 and 45 per cent, respectively - well short of the 80 per cent target set for 2010.

Nationally lead and independently assessed

Effective and coherent human resources management enables governments to better take advantage of technical cooperation by proactively identifying gaps and asking for support in areas where national expertise does not exist. Retaining staff in government service can be facilitated by offering various incentives, including topping-up salaries of key staff with special skills such as accountants and auditors. In expectation of attrition, mass-training may provide for a critical mass of staff even if a substantial number of staff should decide to move into the private sector (or international organizations).

Fruitful discussions often take place at the country level with the arrival of international institutions, yet subsequent analysis is regularly done by international staff. For technical analysis to be produced by the same institutions that a given programme country may be negotiating with poses unnecessary questions regarding the impartiality of the technical work. Evidently, capacity building in programme countries would benefit if analysis were increasingly conducted by national experts.

While Poverty Reduction Strategy Papers serve as a framework for action, which should include clear prioritization and costing, programme countries may also benefit from

developing an aid policy document in order to articulate their expectations with regard to aid management and donor behaviour. Capacity development should be an integral part of national and sector strategies and programmes, but this is still not the case in many countries.

The Public Expenditure and Financial Accountability programme – a partnership between the World Bank, IMF and a number of donors - is currently used to assess the strength of public financial management in programme countries. The establishment of an independent international body to conduct these assessments would further a clear separation of responsibilities with donors providing resources and programme countries managing those.

Broadening resources for accountability

Capacity building efforts usually focus on systems for planning, public financial management, procurement, and evaluation at the national level and in core ministries. These are cornerstones for enhancing management for development results and for effective use of external resources, however, experience shows that other actors such as parliaments, auditors general and local authorities also have to play a role in order for resources to be used effectively.

Bottom-up accountability is also needed to improve public sector management and service delivery, with civil society and the media communicating expected results, informing about entitlements and assessing the quality of services provided. In general, aid flows should be made transparent all the way from receipt to outcome.

Roundtable 5*: How can Development Aid support National Development Strategies?¹²

Harnessing programme country ownership and donor participation

National development strategies function as a starting point of indigenous development as well as an anchor in domestic and international resource mobilization for development. Creating national development strategies is often subject to contentious debate of how to fully harness both the ownership of programme countries and the constructive participation of donors. The successful transition in becoming a contributor depends in large part on whether programme countries possess the overall development capacity to effectively exercise national ownership.

Key to ownership is the extent to which national priorities are reflected in the formulation of national development strategies. If assistance goes beyond the capacity of programme countries, development aid may actually end up having adverse effects. At the same time, a ‘go-it-alone’ approach in the donor-programme country relationship may undermine partnerships and consequently contribute to dwindling donor interest. With peril apparent in both extremes, constructive dialogue should take place on issues such as creating effective project evaluation systems, maintaining policy coherence with projects and overall development strategy and establishing rational and transparent resource allocation system. Conditions should be established by mutual agreement and monitoring progress in implementation should be a joint responsibility of programme countries and donors.

Even though the formulation of national development strategies does not follow a set script, there are several basic principles which should guide the process. Policy priorities set by programme countries must be honoured. Changes should only be made on the basis of consultations between programme countries and donors, supporting the policy coherence of the overall strategy. Maintaining an efficient and competent bureaucracy is also necessary to successful implementation of national development strategies. Finally, rather than putting the onus on programme countries, mutual accountability implies that donors should offer support at the various stages of the development cycle, i.e. from formulation to evaluation.

Minimum standards and policy space not mutually exclusive

Donor missions continue to demand the attention of ministers and senior officials which contribute to disconnecting them from national agendas and review cycles. Despite a negative correlation between managing aid for development results and imposing conditionalities with no policy space, donors introduce measures of conditionality and various indicators beyond what is established in national development strategies leaving little space for programme country governments to implement policies to achieve agreed results.

* The views expressed in this section are those of the individual participants and do not necessarily reflect the views of the United Nations Department of Economic and Social Affairs

Financial transactions will always require conditions which must be respected by the involved parties, but this does not warrant donors dictating how a programme country should pursue its development objectives, e.g. in terms of liberalization and privatization. Since donors will need minimum standards for the proper management of public resources, a viable alternative could be to enter into a *development contract* which would leave government with room to achieve results.

As development goals are long-term, aid should by the same token be made more predictable. If the development process continuously has to be adapted to vague pledges of assistance, independent choices by programme countries will not be feasible. Rather than programme countries absorbing risk, donors should strive to eliminate uncertainty.

It is the responsibility of programme countries to define needs and priorities, financial and budget implications, assessment mechanisms and results-based indicators, show leadership and commit themselves to participatory approaches and dialogues with stakeholders. Yet programme countries are rarely granted the opportunity, or have the capacity, to fully forecast the needs for proper implementation of national development strategies.

Adverse effects of some good intentions

The donor community imposes the strongest conditionalities on countries with the weakest national capacities to manage and coordinate aid. The less able a country is in terms of public financial management, for example, the more is expected in terms of accountability – and the greater the demand for national capacities. However, as conditions are needed to ensure accountability in the use of resources, focus should be on the cases where conditionality has worked well in the relationship between donors and programme countries.

National development strategies are not helped by financing isolated small projects with every donor ‘planting their flag’. Instead, budgetary assistance works as a prime driver of national ownership and aligning support with national development strategies. This approach is nonetheless often neglected because of limited capacities in programme countries. Channeling aid through non-governmental organizations, on the other hand, offers the advantage of proximity to local poor populations, but at the same time, this form of aid delivery suffers from high overhead costs.

Policy advice should be better at accommodating changing conditions for programme countries. This includes practices of focusing cooperation on social sectors to the detriment of favourable investment in production and infrastructure. Similarly, the developments in world prices with regard to primary and produced commodities have shown that veering programme countries away from commodity extraction and towards production may not have produced the desired results. Also, policy advice to support growth and employment has come with stringent fiscal constraints restricting growth to particular areas, e.g. export of commodities.

Roundtable 6*: Aid Effectiveness Agenda: Towards Consensus at Accra and Doha¹³

Rethinking international development cooperation

The lack of coherence between development policies and other donor country policies affecting developing countries is perhaps the single biggest threat to aid effectiveness. International cooperation should support developing countries to achieve more self-sufficient financing of growth strategies, natural resources and public policies. In the longer term, developing countries need to break their aid dependency and be able to raise resources for development without relying on donor aid. This should take place within a broader perspective taking into account the inter-linkages of aid with trade, finance, investment and debt.

Improving the accountability of aid is fundamental to improving its effectiveness. The deep-seated problems in the aid system stem from an imbalance of accountability, with accountability to donors receiving the highest priority. Improving the accountability of donors holds promise of effectively tackling persistent problems in international development cooperation such as aid volatility and unpredictability, as well as ending practices with adverse effects such as economic policy conditionalities and the tying of aid to donor goods and services.

The aid effectiveness agenda

As a direct and tangible outcome of the Monterrey Consensus, the aid effectiveness agenda offers systematic assessment and monitoring of donor and programme country efforts to improve cooperation. This work has enabled the identification of specific gaps and obstacles to effective development cooperation. The concerns of programme countries and other stakeholders should therefore be addressed by using the existing framework.

The aid effectiveness agenda aims to change behaviour, however at the High Level Meeting of the DAC in May 2008, ministers and heads of agencies recognized that progress in ensuring leadership has been too slow. They agreed to accelerate the transfer of responsibility for managing development programme countries, and that donors increasingly will use country systems for managing resources. Only strong political leadership will generate the change necessary to achieve the principles of the Paris Declaration through a process of mutual accountability.

The various elements of the aid effectiveness agenda do not work in isolation. For example, enhancing leadership will only work if domestic accountability systems are strengthened. Without this, donors will find it difficult to fully entrust the management of aid to programme countries. Political support is also needed for scaling up aid. With an

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apparent link between aid effectiveness and scaling-up, development cooperation has to demonstrate its impact on development and the MDGs.

It is important that aid effectiveness work has direct operational relevance which calls for a certain degree of specificity. At the same time, the aid effectiveness agenda is highly relevant to how effectively the international aid architecture can address complex development challenges such as the food crisis and climate change. Similarly, disagreement persists as to whether the aid effectiveness agenda should become a political issue which transcends technical discussions, or whether goals should rather be achieved by peer pressure within donors and programme countries.

Pushing the aid effectiveness envelope

In addition to the role played by national governments in the preparation for Accra, including providers of development assistance outside the DAC, the principles of ownership of development results and of mutual accountability also require active participation of a broad range of stakeholders. Without the engagement of parliaments, local government and civil society, ownership, accountability and feedback mechanisms will not work.

The Accra High-Level Forum will identify bottlenecks and leverage the political action that is necessary to overcome these by taking stock of current efforts aimed at changing the way programme countries and donors work together. In the preparation for Accra, programme countries identified six key priorities which were not adequately covered in the Paris Declaration:

- Strengthening demand-driven capacity development;
- Increasing medium-term predictability;
- Streamlining the application of conditions to draw on programme country ownership and focus on results;
- Division of labour;
- Clear incentives for aid effectiveness in donor organizations;
- Further untying of aid.

Technical assistance perpetuates donor monopoly on technical knowledge needed for development and it often results in programming following the commercial and political interests of donors instead of national priorities. Also, the space allowed to governments to determine their own national growth paths has been denied by the use of economic *policy conditions*, including targets for liberalization and privatization as well as macroeconomic ‘discipline’. The Accra Agenda for Action should include a commitment to end all donor-imposed policy conditions and the use of aid to support foreign and economic policy priorities and interests.

Donors should also commit to expanding the agreement on *untying* aid to all countries and all modalities including technical assistance and food aid, and set up independently monitored targets for translating this commitment into practice. The tying of aid to the procurement of donor goods and services inflates costs, slows down delivery and reduces

the flexibility of developing countries to direct aid where it is most needed. Whilst donors have made some efforts to reform, they have excluded key areas such as food aid and technical assistance from their agreements.

Besides the six priorities, the need for greater transparency in aid processes is a prerequisite for democratic ownership and real participation and accountability. Access to information has been very limited as documents are often buried in donor websites, available in only one language and the information is not proactively disseminated. Moreover, key information on conditions attached to aid, on aid allocation, disbursement tables and on decision-making processes are not made public, undermining the predictability and monitoring of aid flows. Donors should commit to signing up to a charter setting out high standards of openness and transparency.

Donors and programme countries must also monitor and comply with the commitments made through United Nations processes and human rights conventions, including those specifically addressing women's rights. Indicators tracking gender inequality outcomes, as well as gender equity in budgeting, have been agreed on at multilateral levels and implemented by governments and thus should be a key part of mutual accountability and transparency within donor recipient countries and between donors and host governments. However, gender equality and other social commitments should not be used as conditionalities.

Implications for the Development Cooperation Forum

The aid effectiveness agenda needs to be closely linked with the broader process of Financing for Development to be discussed in Doha in late 2008. Progress at Accra will be essential for a successful outcome at Doha and the MDG Summit in New York. The Development Cooperation Forum will play an important role in linking and connecting these different processes and improving the prospects for their collective outcomes.

The Forum offers a venue to share perspectives and priorities from different stakeholder groups, to discuss issues openly and to exchange ideas. This includes a role in the ongoing discussions on aid effectiveness, which would also entail a strong partnership with the Working Party on Aid Effectiveness. In this context, civil society suggests that the United Nations hosts the next High Level Forum on Aid Effectiveness in 2011.

In future, the Development Cooperation Forum may also provide for all stakeholders to discuss, monitor and review the current aid architecture. At the country level, it could promote the development of open and transparent multi-stakeholder mechanisms which would allow citizens to hold their governments and donors to account for the use of aid. The Forum could furthermore oversee independent monitoring of progress as an international mutual accountability forum.

D – SECRETARY-GENERAL'S ANALYTICAL BACKGROUND REPORT

As part of the preparations for the 2008 Development Cooperation Forum, the Department of Economic and Social Affairs also conducted a number of background studies to review trends and progress in international development cooperation with particular emphasis on identifying gaps and obstacles to enhancing its coherence and effectiveness. These studies served to inform the analytical background report¹⁴ of the Secretary-General that was submitted for consideration by the Forum, in accordance with General Assembly resolution 61/16.

The report also builds on discussions that took place at the official launch of the Forum at Geneva on 5 July 2007, at the nationally-led high-level symposiums held in Vienna and in Cairo, as well as the deliberations that shaped the Rome Stakeholder Forum. The main findings of the report are that:

- (a) Despite progress in some areas of the global partnership for development, agreements on trade and investment as well as on the participation of developing countries in international economic decision making are not living up to expectations. Overall, progress has not been sufficient to ensure that development cooperation will produce rapid progress towards the realization of the internationally agreed development goals (IADGs), including the Millennium Development Goals;
- (b) Official development assistance, excluding debt relief, has grown at less than half the rate needed to reach the Gleneagles target of \$130 billion by 2010. Most donors are not on track, and most are not planning sufficiently far ahead to meet their targets. Meanwhile, increased flows from sources not part of the Development Assistance Committee of the Organisation for Economic Co-operation and Development are helping to diversify financing while also adding to the complexity of international development cooperation;
- (c) Aid allocation is not sufficiently conducive to the achievement of the IADGs. While a higher proportion of aid is going to the poorest countries, allocations are often not adequately based on needs, results or the vulnerability of countries to exogenous shocks. Growing aid flows to the social sectors and governance have mirrored declines in allocations to infrastructure and production. Particularly significant is the decline in agricultural aid. Moreover, development cooperation in the form of budget and sector support is growing only slowly;
- (d) The adoption of the Paris Declaration on Aid Effectiveness marked a step change in the articulation of benchmarks for progress, yet negotiations did not engage the full range of stakeholders. Moreover, the Declaration did not deal with a number of issues of key concern to programme country Governments (including conditionality), as well as issues emphasized by other stakeholders, including parliamentarians and civil society (for example accountability and transparency). Primarily occupied with monitoring aid delivery, the Paris process has not demonstrated genuine ability to change behaviour of development actors or to link the aid effectiveness agenda with sustainable development results;

- (e) The capacities of programme countries to coordinate and manage aid are growing, with improvements in public financial management, procurement and recording, but major gaps remaining in terms of analytical, policy, strategic and evaluation capacities, which receive the least support. Most capacity building has focused on core ministries, with limited attention to the needs of parliaments, auditors and civil society;
- (f) The mainstreaming of the IADGs into national poverty reduction strategies and aid policies of donors is selective. These policy instruments also prioritize a selective Millennium Development Goal agenda of economic growth for reducing income poverty, social investment and good governance, including the rule of law, while many give little consideration to the broader agenda of equity, pro-poor growth, employment, hunger and democratic governance;
- (g) South-South and triangular cooperation is a growing dimension of international development cooperation, playing a complementary role to traditional bilateral and multilateral aid. Almost all South-South development cooperation is in the form of project finance and technical assistance with little or no conditionalities attached. Around two-thirds of South-South development cooperation is provided as loans on concessional terms in line with programme country policies and therefore carrying less risk of making debt unsustainable.

E - PREPARING FOR THE 2008 DEVELOPMENT COOPERATION FORUM

Launch of the Forum (July 2007)

The formal launch of the Development Cooperation Forum was marked by a half-day event during the high-level segment of the Economic and Social Council on 5 July 2007. Secretary-General Ban Ki-moon and the President of the Economic and Social Council Dalius Čekuolis participated in the opening plenary session during which Member States noted that a clear definition of the goals, direction, priorities and modality of the Development Cooperation Forum would be essential to its success as the only recent United Nations mechanism to comprehensively review international development cooperation. It was emphasized that the Forum should maintain a distinct identity while helping improve the governance, effectiveness and impact of development cooperation for the achievement of the internationally agreed development goals (IADGs).

The absence of consensus on a conceptual framework for ‘aid effectiveness’ was recognized as a major obstacle to achieving sustainable development results. In addressing this, the Forum should promote a common understanding for effective aid delivery building on the principles of the existing framework for aid effectiveness. At the same time, the framework was seen as a useful beginning which would require further elaboration of established indicators and benchmarks as well as a more comprehensive scope to ensure mutual accountability and equal responsibility. The questions of where, when and how aid can be most effectively applied should guide the work of the Forum since answering these questions is necessary for building and maintaining political support for development assistance from donors.

As part of its mandate, the Development Cooperation Forum should stress the role of the Council as the policy coordination body of the United Nations for economic, social and environmental matters. The Forum could thus become an important coordination and cooperation mechanism in a context of multiple development actors, in particular considering its advantage in bringing together a wide variety of stakeholders to promote closer partnerships among different development actors. The universal membership, neutrality and political independence of the United Nations will contribute to the Forum playing a unique role in this area.

The plenary session was followed by two simultaneous roundtables discussing the role of national aid coordination and management in promoting greater coherence among development activities of different development partners and recent trends in South-South and triangular cooperation. Following the roundtables, a stakeholder plenary was convened to debate how the Development Cooperation Forum could promote enhanced oversight of aid commitments and aid effectiveness for the realization of the IADGs.¹⁵

Vienna High-level Symposium (April 2007)

Background

To facilitate dialogue among stakeholders at the 2008 Development Cooperation Forum, the Department of Economic and Social Affairs supported the organization of several nationally-led high-level symposiums as part of the preparations for the Forum. The first High-level Symposium, organized in cooperation with the Government of Austria, was held in Vienna, on 19 and 20 April 2007. The theme of the Vienna High-level Symposium was “*Country-level experiences in coordinating and managing development cooperation*”.

The objective of the symposium was to examine progress, identify key challenges and discuss good practices by donors and programme countries in implementing some of the policy goals established at the 2005 World Summit and the International Conference on Financing for Development, held in Monterrey, Mexico, in 2002, as they relate to the coordination and management of development cooperation at the country level.

Key policy messages

The following key policy messages emerged from the Vienna High-level Symposium:

Driving the national development process

- Genuine national ownership means that developing countries lead in partnership with donors. Ownership is not simply agreeing to the terms and conditions of development cooperation established by donors, it is actively taking charge of defining the framework and process for cooperation;
- National development strategies are the principal vehicle for advancing the implementation of the internationally agreed development goals at the country level. The strategies, which sometimes err on the side of aspirations, should first and foremost be realistic at their outset;
- Participation of non-State actors in the formulation and implementation of national development plans is critical for the credibility, impact and sustainability of the development process. Governments should not limit participation in policy dialogue processes to like-minded stakeholders, but benefit from a broad range of perspectives;

Building capacities for leadership

- Ensuring national capacities for designing and implementing aid management strategies is a prerequisite for the leadership of partner countries in the aid partnership. National donor offices should have the required competencies to act as credible counterparts to national governments;
- The classic development cooperation mindset of “North-South” is no longer an option. South-South and triangular cooperation offer viable alternatives in

supporting developing countries to build national capacities, including the development of aid policies.

Ensuring public scrutiny

- Development partners need to relate to each other as equals and be expected to live up to agreed frameworks and commitments in respect of development assistance. National stakeholders should increasingly be empowered to hold governments accountable for the impact of aid;
- Monitoring of aid quality and impact is an area where donors wield a particularly strong influence over partner countries. Monitoring should reflect the fact that governments are ultimately accountable to their citizens. More effective dissemination of the expectations of development assistance is key to enabling the public to play a constructive role in aid monitoring;

First steps towards better aid

- Agreements on donor harmonization are accompanied by an increasingly fragmented presence of donors in many countries. Increased cooperation may provide a first step in furthering harmonization, while competition among donors may also prove an option in some cases;
- Donor countries should be observant of meeting aid commitments in a predictable and stable fashion. Predictable and stable funding is of particular importance to weak States that may nevertheless have the bleakest outlook in terms of conduct and performance;
- Achieving the Millennium Development Goals would have to include adequate aid and investments in productive sectors vis-à-vis the social sectors. With regard to development effectiveness, the nature and pattern of economic growth is as important as the rate of growth.

Cairo High-level Symposium (January 2008)

Background

The second symposium, organized in cooperation with the Government of Egypt, took place in Cairo, on 19 and 20 January 2008. The theme was “*Trends in development cooperation: South-South and triangular cooperation and aid effectiveness*”. The Cairo High-level Symposium aimed at improving the understanding of key trends and challenges in international development cooperation by providing an inclusive venue for constructive dialogue among multiple stakeholders. More specifically, the meeting first explored the prospects of broadening the current agenda of making aid more effective, based on principles such as national leadership and mutual accountability. Second, it examined the current practices and future prospects of conditionality. Third, the symposium sought to elicit a better understanding of the principles and priorities that guide South-South and triangular development cooperation.

Reflecting on the impact of international development cooperation, the symposium made clear that enhancing the coherence and effectiveness of the aid architecture will require reform of international financial institutions, in particular by enhancing the voice and representation of developing countries. Progress will also depend on consistent donor policies in areas such as development, trade and investment, as well as coherent policies across government portfolios in order to provide programme countries with better possibilities of exiting aid dependency.

Key policy messages

The following key policy messages emerged from the Cairo High-level Symposium:

Broadening the aid effectiveness agenda

- National ownership will not take place without adequate domestic capacities, yet there are currently few incentives for individual donors to go beyond coordinating technical cooperation to contribute towards that goal;
- Programme countries need to assume more ownership of the quality of the aid agenda by leading the design of instruments for assessment and measurement;
- Mutual accountability processes are too often donor-led with little to support them in terms of programme country input and leadership. The primary accountability of donor and programme Governments should be to their respective parliaments and public sectors;

Practices and prospects of conditionality

- Conditionalities regularly fall short either by failing to influence policies or by actually influencing policies but in a disruptive manner; they have undermined the development of domestic planning and policymaking capacities in programme countries;

- The use of outcome-based conditionality has contributed to enhanced focus on achieving development objectives and improved policy dialogue between donor and programme countries, yet experiences suggest methodological difficulties in assessing its impact;
- Elimination of conditionality in multi-donor budget support groups will be difficult to achieve if such initiatives are not led by the larger donors; as long as the larger donors insist on conditionality, donors willing to move beyond non-reciprocal relationships with programme countries will face challenges;

Principles and priorities of South-South cooperation

- The growing volume of South-South development cooperation is significant, yet the responsiveness of such support is an even more important feature. There is scope for traditional North-South development cooperation actors to emulate some of the successful principles of South-South cooperation;
- With a growing number of developing countries cooperating with each other, it is vital to identify a suitable and practical mechanism or mechanisms to propel this alternative approach forward and to coordinate efforts in a more structured manner.
- Yet the support from the international community for South-South cooperation, particularly at the operational level, is sometimes wanting. Since it is exceedingly difficult at times for national actors to engage with partners from the South, regional and international aid agencies should enhance the visibility of mechanisms to connect developing countries with regional and international actors.

Rome Stakeholder Forum (June 2008)

In addition to the high-level symposiums in Vienna and Cairo, a multi-stakeholder meeting took place in Rome, on 12 and 13 June 2008, in order to include a wider range of stakeholders in the preparations for the Development Cooperation Forum. The theme of the Rome Stakeholder Forum, organized in cooperation with the Government of Italy, was “*The role of national and local stakeholders in contributing to aid quality and effectiveness*”. The discussions and policy messages captured below informed the discussions at the 2008 Development Cooperation Forum and they are further expected to serve as a cornerstone for engaging stakeholders in the process leading to the 2010 Forum.

The Rome Stakeholder Forum engaged parliamentarians and representatives from civil society and local governments in an open and interactive dialogue on their roles in contributing to effective development cooperation. Held in partnership with the Inter-Parliamentary Union, United Cities and Local Governments, CIVICUS and ActionAid, the one-and-a-half day meeting focused on the critical role these actors play in guiding, managing and monitoring development cooperation.

The meeting was organized around a series of parallel sessions discussing the role of national and local stakeholders in aligning aid with national development strategies; reforming conditionality and tied aid; and assessing the impact of different aid modalities such as general and sector budget support. Deliberations by each stakeholder group were followed by a plenary session which enabled all groups to articulate and discuss their specific views and positions on the various issues while also acknowledging the need to coordinate their respective roles at the local level, as well as in a global context.

Key policy messages

The following policy messages emerged from the plenary sessions of the Rome Stakeholder Forum

Institutionalizing multi-stakeholder development cooperation dialogue

- Interaction among parliamentarians, local governments and civil society is essential to maximize their role in contributing to aid quality and aid effectiveness;
- National development strategies should be formulated through wide-reaching and institutionalized nationally-led dialogues involving these actors;
- Engaging these actors may take various forms, including testimony to parliamentary committees and hearings, whistle-blowing to auditing institutions and their inclusion in participatory evaluations;

Ensuring ownership and comprehensive mutual accountability

- True ownership does not only mean ownership by developing country governments, but must engage all relevant stakeholders such as parliaments, local governments and civil society in the development process;

- Policy conditionality and tied aid obstruct democratic ownership and development effectiveness. When conditions are applied they should always be fully owned by programme countries, i.e. derived from a nationally-led consultation process;
- Building the capacities of stakeholders in programme countries is key to enabling their playing a role in overseeing aid quality and aid effectiveness;
- Transparency and access to information from both donor and programme countries are also essential prerequisites for democratic ownership and the success of the development compact. The responsibilities and commitments of both donors and programme countries should be clearly set out in transparent aid compacts premised on mutually agreed upon values such as accountability and sovereignty;
- Mutual accountability is by definition multi-dimensional. For donor countries this implies that in addition to accountability towards their citizens, they also have a responsibility to people in developing countries by providing aid in a manner which enables programme countries to take full advantage of the resources;

Delivering high-quality aid

- The first priority when delivering aid should be to ensure that it reaches people who need it the most in developing countries. The second priority is to make sure that aid is delivered using the most appropriate aid modality;
- Budget support should in principle be the favoured aid modality since it affords greater country ownership as well as more direct oversight; nevertheless it continues to represent a small proportion of aid. On occasion, project support may be useful, particularly where budget processes are flawed in some countries or where specific needs exist;
- All forms of aid should be on budget and subject to parliamentary oversight;

Added value of the Development Cooperation Forum

- As a multi-stakeholder forum involving (local) governments, parliaments and civil society, the Forum should work to become the key venue at the multilateral level for discussions of development cooperation;
- It should aim to increase policy coherence and set the agenda for aid effectiveness by ensuring that issues not adequately dealt with in the Paris Declaration are discussed. It should also strive to complement the existing structures of the Development Assistance Committee of the Organisation for Economic Co-operation and Development and the Financing for Development process.

Notes

- 1 From the 2008 ECOSOC High-level Segment, 30 June 2008.
- 2 Ibid.
- 3 Ibid.
- 4 From the 2008 ECOSOC High-level Segment, 1 July 2008.
- 5 Ibid.
- 6 From the 2008 ECOSOC High-level Segment, 30 June 2008.
- 7 Ibid.
- 8 Members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD).
- 9 General Assembly resolution 62/208: “*Triennial comprehensive policy review of operational activities for development of the United Nations system*”
- 10 From the 2008 ECOSOC High-level Segment, 30 June 2008.
- 11 From the 2008 ECOSOC High-level Segment, 1 July 2008.
- 12 Ibid.
- 13 Ibid.
- 14 See the document E/2008/69
(<http://www.un.org/Docs/journal/asp/ws.asp?m=E/2008/69>)
- 15 For more information please visit: www.un.org/ecosoc/newfunct/dcflaunch.shtml

Chapter 4

2008 ANNUAL MINISTERIAL REVIEW NATIONAL VOLUNTARY PRESENTATIONS

Overview

The National Voluntary Presentations (NVPs) are an important component of the Annual Ministerial Review (AMR), a function assigned to the Economic and Social Council (ECOSOC) by Heads of State and Government at the 2005 World Summit. Through the national presentations, each year, countries volunteer to share their development experience with the rest of the world during the High-level Segment of the annual session of the Economic and Social Council. These presentations enable the Council to engage in a much more specific and hands-on debate on how to address the key obstacles to the implementation of the national development strategies.

National presentations coupled with the newly developed database which presents “*Development Strategies that Work*” provide an important opportunity to learn about and benefit from the experiences of the countries facing similar challenges. At the 2008 High-level Segment besides four developing countries (Chile, Lao PDR, Tanzania and Kazakhstan), for the first time four developed countries (Belgium, Finland, Luxemburg and United Kingdom) made presentations highlighting their efforts towards the achievement of the United Nations development agenda.

Key policy messages

The key policy messages that emerged from the presentations and discussion include:

- *National development strategies*, while entirely country-driven, also need to be *responsive* to the Internationally Agreed Development Goals, including the MDGs.
- Domestic efforts need to be supported by the international community that has the obligation to fully address the MDG8 ‘*Global Partnership for Development*.’
- *Greater coherence must be achieved among policies* on sustainable development, climate change, migration, food security, trade, debt, investment, technology and systemic issues.
- Development strategies should be *people-centered*, addressing the *multidimensional nature of poverty*. Institutional frameworks should be strengthened and geared towards providing social services, removing the threat of marginalization, and empowering the poor.
- *Sustainable development*, which integrates economic growth, social development and protection of the environment, *requires mutually supportive policies and frameworks* to have a meaningful impact. To make the three pillars

work in practice requires Teams within Ministries that can address cross-sectoral issues.

- Looking *beyond the Millennium Development Goals* is indispensable to address broader development cooperation issues, especially environmental sustainability and other issues critical to the development needs of programme partners.
- *Ecological and environmental issues* need increased attention, especially in light of the negative impacts of global warming and biodiversity loss. The *development policy dialogue*, now reduced to discussions on development cooperation, a relatively narrow agenda, must be moved to wider approach and agenda of Rio.
- Further integration of *climate change* into poverty reduction strategies and policies and support implementation of adaptation policies is indispensable. There is a need for a global study on low carbon growth trajectories to show how incomes are raised in a low carbon way. The post-2012 negotiating process should be “pro-development”.
- Steps need to be taken to ensure that patterns of *consumption and production* are more sustainable and create prosperity based on low carbon dioxide emissions and environmental stability.
- More efforts are needed in the areas of *food security and energy*. While there is a need for country-driven plans for *agricultural and rural development*, these must be an international mechanism to identify countries where there is not enough financing and to enforce accountability.
- *Budget support* is the preferred modality where there is national leadership and a clear plan thereby strengthening the national systems of Government.
- Sustainable development will not be achieved without strong *involvement by civil society, local authorities, the private sector and the general public*. Citizens should be given information and rights.
- *Security and development* are inextricably interdependent. Countries recovering from conflict need strategies based on fully multi-dimensional perspective.
- *This is a year when leadership is needed more than ever*. The Accra Third High-Level Forum on Aid Effectiveness, the Millennium Development Goals high-level event and the Doha Review Conference on Financing for Development provide an opportunity for the international community to demonstrate renewed commitment.
- *The National Voluntary Presentations* serve as a *mechanism for strengthening accountability* for fulfillment of the internationally agreed development goals and for *collaborative review*.

Belgium¹

By H.E. Mr. Charles Michel
Minister of Development Cooperation

Since the Rio Summit in 1992, Belgium has been producing federal sustainable development plans, which are submitted to the Federal Parliament and which give the strategic themes that underpin national sustainable development planning.

Belgian development cooperation seeks, as a matter of priority, to promote sustainable human development by focusing on the fight against poverty, based on a partnership approach and adhering to the criteria of relevance to development. It focuses on five sectors (health, education, agriculture, basic infrastructure, conflict prevention and strengthening of society) and four cross-cutting themes (gender, environment, social economy and rights of children). Currently it is focused on 18 partner countries and cooperates structurally with 21 international organizations.

Belgium's action with regard to the environment and sustainable development is structured around six priorities: sustainable management of water resources, control of desertification and of forest degradation, protection and sustainable management of biodiversity, improved ecological management of urban and surrounding areas, reduction and prevention of the adverse effects of climate change.

The 2007 report to the Parliament on Belgium's efforts to achieve the MDGs outlines the progress made by partner countries in that regard and the Belgian contribution at the multilateral and bilateral level.

Belgium's official development assistance consists of action at the federal level and at the level of the regions and communities. Belgium contributes actively to the formulation of joint positions of the European Union as regards sustainable development and the environment. These contributions are the product of joint efforts by the federal and regional governments meeting with civil society, represented by the Federal Council for Sustainable Development, to promote multilateral coordination.

Belgium participates in the work of the Commission on Sustainable Development and fully supports the latter's reform with a view, as a matter of priority, to implementation of the earlier commitments. Belgium is following closely the discussions in New York on ways of strengthening international environmental governance. It attaches great importance to the gradual strengthening of the United Nations Environment Programme (UNEP) and to greater coherence between the environmental conventions and in the operational activities of the United Nations.

Belgian cooperation contributes to the financing of the Montreal Protocol and of the Convention on Biological Diversity, the United Nations Convention to Combat Desertification and the United Nations Framework Convention on Climate Change. It also contributes to the financing of the Global Environment Facility (GEF) and thus participates in the assistance given to developing countries for the establishment of legal

instruments and intervention programmes so that they can comply with the multilateral environmental agreements.

Aside from its contributions to the environmental conventions and to GEF, Belgium contributes to the achievement of MDG 7 at the multilateral level primarily through UNEP. Belgium is one of the first donor countries to have embarked on a partnership agreement with UNEP which is trying to improve the interactions between the various stakeholders in the programs: local governments, executing agencies, donors, recipient communities and so forth.

In the European context, Belgium is participating in the formulation of development programs and projects. It is a member of the coordination group of the European Union Water Initiative (EUWI) and of the European Union Energy Initiative (EUEI) advisory group.

At the bilateral level, conservation of the environment and sustainable development are considered to be cross-cutting themes which must be systematically integrated into Belgium's cooperation activities. As regards MDG 7, bilateral cooperation is mainly active in the areas of provision of drinking water and basic sanitation.

The Belgian Survival Fund seeks to increase food security for the poorest population groups. It adopts a multi-sectoral approach with a view to improving people's situation as regards their current needs without jeopardizing future generations', and thus acts as a precursor program as regards sustainable development.

On 7 March 2008, Belgium organized an international conference on climate change and development in Brussels. That forum for discussion came up with specific proposals for development cooperation policies to deal with the challenge posed by climate change.

Belgian cooperation is helping to finance multilateral actions implemented by the World Wildlife Fund (WWF), the United Nations Educational, Scientific and Cultural Organisation and the Food and Agriculture Organisation of the United Nations as regards protection and sustainable forest management in the Democratic Republic of the Congo. It is also working on setting up a multi stakeholder common fund for forest governance in the Democratic Republic of the Congo, to be managed by the World Bank. In 2007 and 2008, it participated in various multilateral events on the topic and, in 2007 it organized an international conference on sustainable forest management in the Democratic Republic of the Congo. In the European context, the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan is the European Commission's response to the problem of illegal harvesting and trade in timber. There are plans for Belgium to take charge of steering the FLEGT process in the Democratic Republic of the Congo.

The aim of a bilateral project such as the Tan Hoa Lo Gom canal in Vietnam executed by Cooperation Technique Belge and the People's Committee of Ho Chi Minh City, was to clean up the canal, renovate neighbouring areas and re-house the population whose housing had been expropriated. The participation of the communities concerned, the building of capacities and the strengthening of institutions were all essential elements in the execution of the project from the beginning and ensured that it would be successful, at least for a while. This project has already inspired other donors.

As for the bilateral health and environment program for the town of Esmeralda, it falls within the context of the new decentralized national health policy. The commitment of the municipality and of citizens, promotion of local culture, partnerships between public and private sectors and support from the international community are continuing to play an essential role in this policy and are proving to be important elements in promoting the success of the activities.

Chile²

By H.E. Mrs. Paula Quintana
Minister of National Planning and Cooperation

Priorities of the national strategy and the Millennium Development Goals

The objectives and goals laid down in the Millennium Declaration are at the core of the development strategy that Chile has drawn up and implemented during the period since the restoration of democracy. During this time, Chile has achieved substantial economic growth, tripling the growth of the per capita product posted in the 1970s and 1980s. The poverty rate has been reduced by two thirds and employment has increased. In 1990, four out of every 10 Chileans were living in poverty, and social policies were limited to welfare-oriented and sectoral actions.

The achievements of this period have been significant. Coverage at all levels of education has increased, as have average levels of schooling, and new opportunities have been provided for enrolment in higher education. At present, seven of every 10 secondary school students belong to the first generation in their families who have had access to higher education. In the field of health, maternal and infant mortality rates have fallen; special efforts have been made in primary care, and there is a network of over 1,600 health-care establishments. Access to basic sanitation services has increased, and environmental regulations have been put in place.

Although income distribution has improved since 2000, inequalities persist and are higher than they were during the 1960s. This shows that despite the country's efforts to meet the Goals, further progress is needed in connection with the different targets. Economic growth has not been stable; indeed, it has slowed down as the contagion of the Asian crisis was felt in Latin America. This brought to light the shortcomings of the international financial architecture and the weakness of international and national countercyclical mechanisms. These deficiencies have had a regressive effect, since fluctuations in economic activity have had a negative impact on smaller enterprises and unskilled workers.

From 2006 onward, the groundwork has been laid for a new stage, and thanks to the country's achievements over the last few years, it can undertake more ambitious actions and make needed changes in different areas. Chile has decided to lay the foundation for a new development policy. One of its challenges is to set up a social protection system that will ensure a better quality of life for the whole population and provide the basis for a more inclusive and citizen-oriented democracy. This social protection system focuses on recognizing and guaranteeing rights, creating tools for exercising them and implementing mechanisms for enforcing them.

This system is designed to serve people throughout their life cycle, as it addresses the risks, contingencies and vulnerabilities to which they are exposed. It entails implementing broad reforms in the pension system, the Chile Solidario system, the Chile Crece Contigo (Child protection system), as well as in the health system and in worker

protection measures. Thus, many of Chile's public policies no longer include quantitative targets, but rather focus on the challenge of ensuring quality services and effective protection of citizens, generating conditions that are key to equality of opportunities.

Progress in implementing the national development strategy and remaining challenges

Since 1980, the main goal of the administrations of the Concertación party has been to improve the quality of life of the entire population, in particular by overcoming poverty and reducing inequality and different types of discrimination and exclusion. The aim is to construct a democratic, open and egalitarian society in which all citizens are able fully to realize their rights.

The main pillars on which the country's development strategy is based are economic growth, social development and democracy. Emphasis is placed on ensuring that economic policies are sustainable and linking them with social policies and political policies.

The policies are predicated on the recognition of growth as a key to lasting social development, given its impact on the labour market, on the purchasing power of wages and on the generation of resources to adequately finance social spending. The State has a key role to play in the area of social development. In this regard, it should be noted that between 1990 and 2007, Chile increased its gross domestic product (GDP) by a yearly average of 5.4 per cent.

Taking a medium-term approach, fiscal policy has focused on ensuring financial sustainability and the capacity to satisfy the needs of the population during times of crisis, on long-term budgetary restrictions and on efficiency in public administration. During the last 18 years, this approach has been carried out by well-established institutions, thus ensuring that it will be continued over time.

In addition to implementing tax reforms in 1990, under which tax rates were increased, and making the changes needed to ensure a steady flow of tax revenues, the Concertación administration set up mechanisms that enable it to control economic cycles, thus ensuring the continuity of public policies in general and of social policies in particular, with a view to accumulating resources during periods of rapid growth and favourable terms of trade and ensuring financing when trends in the economic cycle are less positive or negative. It has thus been possible to avoid a pro-cyclical effect between social spending and GDP that causes spending to be higher in times of boom and lower in times of recession. The measures allow for more active social protection in times of crisis.

Fiscal stability is especially important, given that the increasing globalization of the economy and the integration of markets have generated opportunities for growth and development for a number of emerging countries, which, however, have become more vulnerable owing to the fluctuations in the global economy, particularly in financial markets. Thanks to these mechanisms, Chile is less vulnerable to financial crises and fluctuations and is able to maintain its social program and even initiate new ones even when economic growth has been halted or weakened, as was the case following the Asian crisis in 1999. During these difficult periods, social programs are needed more than ever.

One of the instruments implemented to stabilize trends in public spending is the Fondo de Compensación del Precio del Cobre (copper price compensation fund), whereby the public budget is tied to the medium-term price of copper rather than its current cash price. This makes it possible to save the difference between the two prices when the cash price is higher than expected over the medium term. Another tool is the structural balance approach followed in drawing up the fiscal budget.

In addition, the mining royalty law, which establishes a tax on large copper mining companies, was enacted. With the income from that tax, a fund was created to promote scientific and technological development and enable the country to diversify its production over the medium term, so as to avoid situations like those of the early twentieth century, when the nitrate industry collapsed.

From 2001 onward, the fiscal budget was designed to generate a structural surplus equivalent to 1 per cent of GDP. As the fiscal situation improved, the target was changed, in the 2008 budget, to 0.5 per cent of GDP. Under this rule, the annual spending budget is associated not only with the medium-term price of copper and molybdenum, but also to the growth of GDP.

In addition to fostering stability of social policies, the fiscal policy has increased public saving during periods of boom. It has also enhanced the credibility of Chile's fiscal authorities as issuers of international debt, reducing the sovereign premium, improving access to external financing during periods of negative external shock and minimizing the contagion effect of international crises. It has reduced the economy's need to rely on external financing. Finally, responsible fiscal management and the sound financial position of the country have enabled it to gear fiscal spending towards investment to strengthen long-term growth.

Consistent with the above, the stronger social policy has not only responded to the need to address social challenges that cannot be resolved solely through economic growth, the working of the market or temporary palliatives. It has also enhanced the country's potential for economic growth by fostering the development of the human capital needed for modernization, and it has helped to ensure stability and democratic governance.

This strengthening of public social programs is reflected in changed budget priorities and in the subsequent increase in resources allocated to social purposes, which more than tripled between 1990 and 2007. In addition, social policy has been reoriented from a welfare approach to focusing on social investment policies and programs aimed at developing human capital and guaranteeing equal opportunities.

As a result of the above, social policies are targeted to certain priority groups, including boys and girls, the handicapped, indigenous groups, women and the elderly. The policies implemented entail identifying specific needs of each group in order to achieve their social integration. These policies include program and institutional actions designed to meet their demands and needs. The procedure followed in identifying these groups has been flexible enough to allow for policies and program to be adapted to their particular needs and requirements, as evidenced recently in the Chile Crece Contigo.

Social policies have contributed to reflection and discussion on the design and implementation of public policies, civil society, non-governmental organizations and academic centres, in the context of efforts to restore the country's democratic institutions.

In responding to the new demands, the institutions have focused on two areas: on creating a legal framework for positive action in policies and programs to support these groups, and on creating government agencies to draw up and propose measures to enable them to meet their needs.

In this context, social policies have gradually begun incorporating mechanisms and tools for follow-up and periodic evaluation of the actions undertaken, with a view to making any adjustments that might be needed in a timely fashion.

In 2002, Chile made an important change in its social policies: it created the Sistema Chile Solidario, which targets families living in extreme poverty. This system has three fundamental components: a personalized support system whereby the poorest families receive psychological and social services; guaranteed subsidies; and preferential access to public social programmes. Under this system, the State seeks out families that belong to the target population; rather than acting on the basis of demand, it reaches out to serve those who are in the most precarious situations.

Several of these advances in social policy are being implemented in a context of slower economic growth, a situation that has prevailed since 1999. Instead of falling back and stagnating, the social programs of the Chilean State have continued to move forward, learning from the experience gained in previous years.

Finland³

By H.E. Mr. Paavo Väyrynen
Minister for Foreign Trade and Development

Development policy forms an integral part of Finland's foreign and security policy. It is planned, formulated and implemented by the Ministry for Foreign Affairs in close cooperation with other ministries, non-governmental organizations (NGOs), the private sector, and Finnish society as a whole. In October 2007, the Government of Finland adopted a new Development Policy Programme, which is based on a comprehensive approach to development and covers all policy sectors related to development. In line with the MDGs, the primary aim of Finland's development policy is the eradication of poverty. This can only be achieved by means of promoting sustainable development. International development cooperation serves as the main instrument for implementing the Government's policy.

Finnish development policy is implemented bilaterally, at the European Union level, multilaterally, and in cooperation with NGOs. The development goals and guidelines adopted by the United Nations and the European Union provide the principal framework for the implementation of Finland's development cooperation. In order to enhance the effectiveness of development assistance, Finland supports joint programming both in the European Union and in the wider donor community. The Government of Finland considers the United Nations system the principal actor in international development policy and, to this effect, all efforts are made to strengthen its position.

The European Union also plays an essential role in Finland's development policy. It provides the key framework for our influence on global policy setting; in 2005, the European Union adopted a development policy statement - the European Consensus on Development. In the European Union, Finland is better able to influence the global development agenda. The primary and overarching objective of European Union development cooperation is the eradication of poverty in the context of sustainable development, including the pursuit of the other MDGs. Together, the European Union provides more than half of the world's ODA and is also the most important development cooperation and trading partner for developing countries. Through European Union assistance programmes, Finland participates in poverty reduction and sustainable development also in areas where it does not have bilateral development programs.

In 2007, Finland's development assistance reached € 711 million, which represents approximately 0.40 per cent of Finland's gross national income (GNI). In accordance with an European Union's Council decision of 2005, the Government is committed to reaching the level of 0.51 per cent of ODA/GNI by 2010 and, ultimately, the United Nations target of 0.7 per cent by 2015. In order to ensure that Finnish assistance is of good quality, the volume of aid will be increased gradually and predictably.

Traditionally, the majority of Finland's development assistance has been channelled through bilateral programs. The rest has been channelled through multilateral

organizations and the EU. In 2007, bilateral cooperation accounted for close to 60 per cent of Finland's aid flows. One third of the funds – an increasing share - were allocated to Least Developed Countries (LDCs). Finland's support to sub-Saharan Africa has also increased, amounting to 30 per cent of all development cooperation in 2007.

Finnish development policy strongly focuses on identifying those themes and sectors where Finland can have the strongest impact on global development. The same principle is also included in the European Union code of conduct on and division of labour. In bilateral cooperation, Finland strives to concentrate on fields where it has cutting-edge expertise, such as forest and water management as well as renewable energy, which are all directly linked with the indicators of MDG 7. As an example, Finland is increasing its financing in sustainable forestry which is often perceived as one of the orphan sectors in development cooperation. Finland sees it as its global responsibility to share its long, extensive and successful experience in global forest policy and development.

Developing countries' national PRSPs steer the allocation of development cooperation funding. Finland, its partner countries, and other donors are participating in the further development of PRSPs to ensure that their implementation is ecologically, economically, and socially sustainable. All development cooperation is built on the principle of partnership between developed and developing countries. Conventional “development aid” has been replaced by real partnerships with an emphasis on developing countries' ownership of their own development.

At the national level, Finland has established a high-profile multi-stakeholder commission for sustainable development and undertaken systematic policy work to promote all dimensions of sustainability. The commission has been fundamental in ensuring a comprehensive approach to sustainable development. The success of the Finnish sustainability agenda is largely based on the multi-stakeholder approach, taken both at the national and the international levels. The national commission consists of various interest groups and civil society organizations. This same approach has been applied in international forums as well. For example, in the run up to United Nations summits, NGOs are actively involved and they also participate in the official Finnish delegations.

As a response to MDG8 concerning the creation of global partnerships and according to the Monterrey Consensus on Financing for Development, Finland's development policy programme highlights the concept of comprehensive financing for development, including partnerships for development. It also emphasizes the need to mobilize the private sector and various institutional players to promote sustainable development in developing countries. Partnerships between the public and private sectors and the promotion of trade are seen as key strategic means that contribute to economic development and poverty reduction on a sustainable basis. To support the implementation of the new development policy, a cluster approach has been adopted. It refers to the involvement of universities, research institutions, companies, and NGOs working together in the development and implementation of innovative approaches to development cooperation and sustainable development.

Finland and sustainable development

Finnish development policy is based on the principles of sustainable development and its three interrelated dimensions: economic, social, and ecological sustainability. This approach builds on the United Nations Conference on Environment and Development in Rio 1992 and subsequent international commitments. Accordingly, Finland promotes economically, socially, and ecologically sustainable development, with a special emphasis on issues related to climate and environment.

The MDGs, with their strong focus on social development and human well-being are at the heart of Finnish development policy. At the same time, Finland emphasizes the need to look beyond the MDGs and address also all development challenges that partners have identified in their development strategies or that are on the global development agendas. Some of these challenges, such as climate change, food security and environmental sustainability, are issues of global survival.

In recent years, climate change and other threats to the environment have forced the world to look deeper into sustainability. Progress in the industrialized countries has so far been guided by a desire to obtain rapid material growth. However, this has also led to the depletion of non-renewable resources and acceleration of their ecologically unsustainable exploitation, climate change, loss of biodiversity and environmental damage. This undermines the very foundation of sustainable development. Even though technological advances help the economy to adapt to the realities of nature, profound changes are needed in the patterns of production, consumption, and living, which are now spreading all over the world. Development policy is ultimately a question of the values people rely on. Shortage of natural resources and environmental degradation give rise to conflicts and complicate their resolution.

When promoting sustainable development, it is important to recognize that both developing and industrialized countries share the same long-term agenda. Sustainable development in all its three dimensions is needed in order to ensure that the international development goals are achieved. Finnish development policy promotes the approach of “humanity policy” where development challenges are tackled from a truly global perspective.

Kazakhstan⁴

By H.E. Mr. Nurlan Danenov
Deputy Minister of Foreign Affairs

Priorities of the national strategy and the Millennium Development Goals

The strategic development priorities of the Republic of Kazakhstan are to improve the quality of life for the people by reducing social exclusion and raising the quality of social services, improving the environment, involving civil society in development and strengthening national identity.

The long-term development strategy “Kazakhstan-2030 Prosperity, security and improved living standards for all Kazakhs” was adopted in 1997. It identified seven priorities for the country’s development: (1) national security, (2) domestic stability and social cohesion, (3) economic growth, (4) health, education and welfare for the citizens of Kazakhstan, (5) energy resources, (6) infrastructure, transport and communications, (7) a professional State.

Since 1998, all the programs adopted in the country are being developed in accordance with the Development Strategy for Kazakhstan to the year 2030. The chief priority in all the programs which have been adopted is to raise living standards for present and future generations of Kazakhs, on the basis of qualitative improvements in development. The long-term strategic development of Kazakhstan is closely linked to the MDGs. All the goals and targets of the MDGs are reflected in the above national and sectoral development programs; measures to achieve some of them have already been put in place, and measures to achieve other MDGs are presently being undertaken.

Progress in implementing the national development strategy and remaining challenges

The country has sufficient potential to achieve these priorities, together with the necessary conditions for doing so. Above all, domestic stability and social cohesion, together with a multi-dimensional natural resource potential and reform over the past 10 years have brought about high rates of economic growth.

Over the past decade, GDP has risen from \$22 to \$104.1 billion, and GDP per capita has increased 4.6 times to \$6.700 on a par with the indicators of a number of States in Central and Eastern Europe.

Thanks to the creation of a favourable climate for investment, considerable volumes of investment have been attracted into the country’s economy. The volume of direct foreign investment in the Kazakh economy from 1993 to 2007 reached \$62.1 billion, representing 80 per cent of all outside investment in Central Asia. The country’s international assets, taking account of National Fund resources, are in excess of \$38,6 billion. The annual volume of external trade increased more than six-fold over the decade, and is now around \$ 80.5 billion. Banking and insurance sectors and a contributory pension scheme have all been set up in line with market principles. In the opinion of the international

classification agencies, the Republic has successfully completed the transitional stage of economic development, and now has sufficient potential for future economic growth.

According to the World Bank classification, Kazakhstan is among the group of countries at average income level. In ten years, the incomes of Kazakh citizens have risen six and a half times, earnings have quintupled, pensions have quadrupled and targeted State social assistance has markedly increased.

There are plans to build one hundred fifty health facilities and three hundred rural dispensaries in the near future, along with a regional network of rehabilitation centres for adults and children with disabilities to meet international standards. Since 1998, the Presidential programme “Bolashak” has been in operation countrywide, providing tuition for talented young people in the world’s best universities. In the coming years two hundred fifty new schools and fifty vocational technical colleges are to be built.

The Republic now has the necessary political will and the resources to drive forward the social aspects of progress and transform its economic achievements so as to achieve equitable development of its human potential, while improving living standards and increasing opportunities for its citizens. The country has already achieved some of the agreed development goals, and has attained significant progress in achieving others, including poverty reduction, access to education and progress in women’s rights. However, in health, education and economic sustainability there are still problems calling for additional efforts on the part of the State and civil society.

Lao People's Democratic Republic⁵

By H.E. Mr. Bounkeut Sangsomsak
Vice Minister of Foreign Affairs

Priorities of the national strategy and the Millennium Development Goals

There are five important areas that the Lao Government considered crucial for the long term development of its country, namely, poverty eradication, education, health, gender equality and sustainable development.

Progress in implementing the national development strategy and remaining challenges

In general, considerable progress has been made in the implementation of internationally agreed development goals in these areas. The overall poverty rate has steadily declined from 46 per cent to 33 per cent during the decade 1992/3-2002/3 and reached 28.7 per cent by 2006. With this pace of progress, the country is on course to attain the MDG target of halving poverty by 2015. However, since poverty reduction is propelled by economic growth, the challenge for continued poverty reduction in the Lao People's Democratic Republic is to sustain the level of economic growth achieved over the previous decade.

In education and health, progress has been positive. Progress in education is reflected in the continuous progress across all key indicators, for instance: net enrolment rates in primary schools rose from 58 per cent of primary school-age children in 1991 to 84 per cent in 2005; the retention rate, although slow is improving; literacy rates increased nationwide; priority districts improved more than the national average, especially at primary age (basic education) and literacy almost doubled from 31 per cent to 58 per cent. On the health front, the child mortality indicators are improving satisfactorily. The under-five mortality rate declined from 170 to 98, and the infant mortality rate from 104 to 70 per 1,000 live births between 1995 and 2005.

The progress in promoting gender equality has varied. While considerable achievements have been recorded in terms of women's role in the decision-making process, especially the representation of women in the National Assembly, there still exists a gap in the enrolment rate between boys and girls, as well as challenges associated with the capacity-building of women. As regards sustainable development, various measures have been undertaken by the Lao Government to protect the environment, while promoting economic growth.

Despite progress and achievements made over the past years, much more needs to be done both by the Lao Government and the international community to help the Lao People's Democratic Republic attain all internationally agreed development goals and targets. However, good practices and lessons learned can be drawn from the implementation process undertaken in the country.

Luxembourg⁶

By H.E. Mr Jean-Louis Schiltz
Minister for Development Cooperation and Humanitarian Affairs

Implementation of development cooperation policy

Luxembourg's development cooperation policy has evolved considerably over the past fifteen years. Thanks to the efforts of successive governments, Luxembourg's official development assistance (ODA) reached the threshold of 0.7 per cent of GDP in 2000, compared with only 0.33 per cent in 1995. Its ODA reached 0.92 per cent of GDP in 2007 and the Government aims to reach 1 per cent in the coming years. Luxembourg's assistance is allocated solely in grant form and is entirely untied.

Luxembourg attaches great importance not only to the quantity but also to the quality of its assistance. As a result, although the volume of its ODA has increased significantly in recent years, its cooperation programme has maintained a policy of geographical concentration, focusing its assistance on 10 partner countries: Cape Verde, Senegal, Mali, Burkina Faso, Niger and Namibia in Africa, Vietnam and Laos in Asia and El Salvador and Nicaragua in Latin America. At the same time, a policy of sectoral concentration is being pursued, under which priority is given to interventions in the areas of infrastructure and social services, especially education, health, water and sanitation.

The policies of geographical and sectoral concentration apply equally to bilateral projects and programs and those implemented with multilateral partners, foremost among which are the funds and programs of the United Nations system. Systematic efforts are made to ensure synergies between bilateral assistance and multilateral assistance, accounting for 70 per cent and 30 per cent of ODA respectively, especially in Luxembourg's 10 partner countries.

In the context of the implementation of the Paris Declaration on Aid Effectiveness, adopted in March 2005, Luxembourg's cooperation program has endorsed the principles of country ownership, alignment and harmonization, in particular. Progress in this area is being assisted by the process of moving closer to the field. In recent years, Luxembourg has set up a regional cooperation bureau enabling it to be more in tune with its partner countries and thus assist them more effectively.

At the 2000 Millennium Summit, the international community adopted the Millennium Declaration and the MDGs which are its practical expression. The MDGs provide a road map for reducing poverty by 2015 and Luxembourg subscribes fully to them as part of its commitment to development cooperation. The MDGs are thus central to Luxembourg's development cooperation priorities.

Luxembourg and Sustainable Development

All Luxembourg's cooperation activities are conceived from the standpoint of sustainable development, as defined in the Brundtland Report, in that they contribute to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The concept of sustainability is being taken

into account in the implementation of Luxembourg's development cooperation policy. For example, in natural resources management, Luxembourg has developed an indicative cooperation programme with Burkina Faso for the period of 2008 – 2012. Luxembourg also has cooperation interventions in the water and sanitation sector in several partner countries.

Luxembourg identified climate change and food security as two new challenges facing sustainable development and noted that for some years now, Luxembourg's cooperation program has been supporting developing countries' efforts to adapt to climate change. A decision has been taken to step up these efforts. To help ensure food security in developing countries in the face of the current worldwide surge in food prices, Luxembourg has put in place a range of short-term measures. In the medium and long term, its cooperation program will remain actively involved in integrated rural development alongside its partner countries.

United Kingdom⁷

By Mr. Andrew Steer
 Director General, Policy Research, Department for International
 Development

The United Kingdom (UK) is leading the way in the fight against poverty. The UK NVP report estimates that the UK's Department for International Development (DFID) helps to lift 3 million people out of poverty every year. The UK's development aid will continue to increase over the next three years, and by 2010 will have more than trebled in real terms since 1997. According to the UK, this investment will ensure it is delivering on its promises made at the G-8 summit in Gleneagles in 2005, and help countries to accelerate their progress towards meeting the MDGs.

DFID's Annual Report 2008 "Development: Making it Happen" sets out what UK did between April 2007 and March 2008 to bring about changes for the better in the developing world. The report gives a full account of where UK spent public money over the last year, and where UK has pledged to spend it in coming years, to tackle the challenges that the UK faces.

For example, the UK has:

- Provided improved access to water and sanitation, strengthened nutrition and essential health care to 1.5 million people in Zimbabwe;
- Through its contribution to the United Nations Children's Fund (UNICEF) helped provide nutritional support to 80,000 acutely undernourished children;
- Through its support to the Government of India's universal elementary education program, helped get more than 27 million more children enrolled in school between 2003 and 2006;
- Through its humanitarian assistance in Africa contributed towards the delivery of emergency nutrition, health, shelter, protection and livelihoods recovery program reaching approximately 30 million people;
- Through its contribution to the Afghanistan Reconstruction Trust Fund helped ensure that 5.4 million Afghan children are now gaining an education, over a third of them girls.

"Development: Making It Happen" is a comprehensive account of an important year for DFID with more attention given to how effectively and transparently aid has been delivered. It is a record of the work that UK has done, and a statement of the work that UK will do, to keep its promise of ensuring better lives for the world's poor.

UK and Sustainable Development

The UK can claim a long-standing commitment to the environment and sustainable development. The UK has shown leadership on important global environmental concerns

from the illegal trade in timber and endangered species, to the recognition of environment as a key dimension of poverty reduction, and most recently in the lead up to the Bali meeting on climate change. Many of the world's leading environmental thinkers and NGOs either come from or are based in the UK, while British industry and commerce has historically been quick to see the opportunities associated with pollution control, cleaner production, and more recently low carbon growth. The European Carbon Emissions Trading System, the most advanced system of its type, is based in London.

However, the UK also has a large global ecological footprint in terms of emissions and solid waste. The UK is a major consumer using more than 6 times energy per person as in many developing countries with per capita CO₂ emissions that are around 100 times the emissions of countries like Bangladesh or Ethiopia. We import 90 per cent of our food, are a major consumer of luxury items from cars to computers, use very large quantities of water, of timber and newsprint and we also generate large amounts of household, construction and industrial waste. In 2004 and 2005 the UK produced about 335 million tones of waste.

Therefore irrespective of past successes — from helping to phase out CFCs, to addressing the regional effects of acid rain, introducing the landfill tax, or removing lead from fuel — the UKs share of the responsibility for promoting environmentally sustainable development both at home and abroad remains considerable.

At the 2002 World Summit on Sustainable Development the UK, among others, made a strong and ultimately successful case for greater integration of the environment with development objectives. The Summit articulated more clearly than ever before that the poor are dependent on the environment for their livelihoods and are particularly vulnerable to environmental change, such as floods, droughts and other natural disasters.

Consequently, environmental sustainability was recognized as underpinning other development objectives, a principle already enshrined in MDG 7 but which had not been sufficiently well recognized until that point. However progress against MDG 7 has been mixed (see box below).

Since the Millennium Declaration, global climatic change has emerged as one of the defining issues of our time and brought environment and development issues into much sharper focus. Recent global assessments such as the *United Nations Global Environment Outlook (2007)* and the *Millennium Ecosystem Assessment (2005)* all point to increasing environmental and natural resource degradation. The most recent assessments of climate change indicate that environmental change is likely to be overwhelming for most poor countries. Already a third of the world's people live in countries which don't have enough water, and by 2025 (on current trends) it will be two thirds.

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

Many developing countries' national plans and policies lack effective measures to address environmental degradation and promote the sustainable use of natural resources. A World Bank assessment of 53 PRSPs showed limited integration of environmental issues, although there was gradual improvement from 2002-2004.

Target 10: By 2015, halve the proportion of people without sustainable access to safe drinking water and sanitation

1.1 billion people still lack safe and reliable water supplies, while 2.6 billion lack access to basic sanitation. If trends since 1990 continue, the world is likely to miss the sanitation target by almost 600 million people. Indeed, the United Nations' own assessment concludes that meeting this target 'will require extraordinary efforts'.

Target 11: Improve the lives of at least 100 million slum dwellers by 2020

In 2005, one third of urban dwellers were living in slum conditions. Already, half the world's population lives in cities and towns; this figure is expected to swell to 60 per cent by 2030.

United Republic of Tanzania⁸

By H.E. Mr. Peter Msola
Minister of Science, Technology and ICT

Priorities of the national strategy and the Millennium Development Goals

National policies in Tanzania are formulated around the long term national development strategy known as Vision 2025, the medium term national poverty reduction strategies and specific sector or cross-sectoral policies. Having focused on macroeconomic stabilization for a decade, Tanzania started to address poverty as a major policy concern in 1996 within the framework of the macroeconomic policies which were being implemented. These initiatives started with the formulation of the National Poverty Eradication Strategy (NPES) in 1997 and the subsequent process of formulating a Poverty Reduction Strategy Paper (PRSP) in 1999 and 2000 which produced a PRSP and the Zanzibar Poverty Reduction Plan (ZPRP) in order to gain access to the debt relief resources for the Highly Indebted Poor Countries (HIPC). The lessons learned from the first generation of the poverty reduction strategy were carried forward into the second generation poverty reduction strategy. The preparation of the second generation poverty reduction strategy paid greater attention to growth and governance as well as to results and outcomes.

Progress in implementing the national development strategy and remaining challenges

The GDP growth rate in recent years has averaged about 7 per cent per year. With such an average GDP growth, Tanzania is well on the way to achieving the 8 – 10 per cent growth per annum that would be required to achieve the MDGs. The concern is that growth has not been sufficiently broad and income inequality increased slightly, mainly in urban areas, and the gap between urban and rural incomes may have increased. While the availability of food as measured by the proportion of people with access to basic calorie intake is high, malnutrition in children under five years old persists.

Gross Enrolment Ratio and Net Enrolment Ratio of both boys and girls show that universal primary education has been achieved with gender parity achieved. However, the target of eliminating illiteracy by 2015 remains challenging particularly for rural women. There are still gender disparities in enrolment at upper secondary and tertiary levels of education.

Census data and those from surveillance sites suggest a decline in both infant and under-five mortality rates. The maternal mortality situation has not improved in Tanzania. HIV prevalence in adults is estimated at seven per cent of the population (7.7 per cent for females and 6.3 per cent for males). The good news is that for all ages there has been a significant decline in the prevalence rates.

Environmental concerns have also been mainstreamed in the MKUKUTA/MKUZA⁹, and sectoral policies have been reviewed to incorporate environmental concerns and the management of biodiversity in particular. Tanzania is on track to achieving the target of

access to safe drinking water with the coverage going up from 68 per cent in 2000 to 73 per cent in 2003-5 for urban areas and from 49 per cent in 2000 to 53 per cent in rural areas in 2003-5. However, the fast rate of urbanization has continued to put pressure on lives of slum dwellers. Recognizing the risk of falling behind on the target of achieving decent employment and youth employment in particular, Tanzania has introduced an employment creation program.

Tanzania is highly dependent on foreign aid to finance its development activities. The budget support mechanism has improved predictability of external resource inflows and therefore improved budget planning and execution. The development of a framework for co-operation which culminated in the preparation of Tanzania Assistance Strategy (TAS) and later upgraded into the Joint Assistance Strategy for Tanzania (JAST) has become a main guide in aid management.

The following key challenges were identified: (i) under funding is the main challenge of all sectors of the Tanzania economy; (ii) progress has been made in poverty reduction but progress in this area needs to be stepped up to reduce the large proportion of the rural poor as well as to address the increasingly serious challenges of urban poverty. (iii) achievements in education needs to be better linked to the changing demands of the labour market; (iv) gender inequality continues to be a major challenge at higher levels of education and in terms of economic empowerment and maternal health care remains an area of great concern; (v) child and maternal mortality are still high posing a major challenge to the health system as a whole; (vi) these health challenges are compounded by the HIV and AIDS epidemic. HIV and AIDS pandemic has been declared as catastrophe in Tanzania. (vii) the environmental sustainability challenges have increased in almost all dimensions due to low general level of education and inadequate attention to developing alternative sources of energy, especially in rural areas.

Lessons learned in the area of poverty reduction, governance and accountability and managing aid relationships

As regards to poverty reduction processes, lessons from the first generation of poverty reduction processes indicate that consultation is important for subsequent positive impact of policy, growth is a necessary (but not sufficient) condition for poverty reduction in medium and long term and that it is important to develop a comprehensive monitoring system. As regards to governance and accountability, these are underlying conditions for growth and reduction of income poverty, reduction of poverty and improved quality of life and social well-being in Tanzania.

The Tanzanian experience with managing aid relationships brings to the table lessons on ownership, policy space, firmness, managing for results, collective action and exit strategy. Given the magnitude of the IADGs/MDGs interventions, the government requires a substantial amount of resources. The key objective of resource mobilization is to make aid commitments more predictable so that Tanzania can implement its national programs to achieve the IADGs/ MDGs.

In conclusion, the government has achieved significant successes in universal education; gender equality in primary and secondary education and reduction in child mortality. Considerable achievement has been made in improving aid relationships as part of the

global partnerships. The introduction of the Independent Monitoring Group as a mutual accountability mechanism has helped to make progress in this area. Encouraging progress is being made in attaining targets for safe water for drinking and sanitation. Improved network and performance of health facilities and water supply and sanitation infrastructure in the country has contributed to the positive results.

However, there are some areas where progress has been modest making it unlikely that the MDGs will be achieved. Tanzania is unlikely to achieve MDGs in the areas of poverty and malnutrition, maternal health, improving life in slums, environment and decent employment, especially among the youth, unless new initiatives are taken to change the current trends. Hunger and malnutrition challenges are being aggravated by the current food price increases in the world market. However, this could be an opportunity for Tanzania, being a largely agricultural economy, provided adequate supply response in agriculture can be achieved.

Notes

- 1 From the National Voluntary Presentations of the Annual Ministerial Review, “Implementing the internationally agreed goals and commitments in regard to sustainable development”, of the ECOSOC 2008 High-level Segment, 2 July 2008.
- 2 Ibid.
- 3 From the National Voluntary Presentations of the Annual Ministerial Review, “Implementing the internationally agreed goals and commitments in regard to sustainable development”, of the ECOSOC 2008 High-level Segment, 3 July 2008.
- 4 Ibid.
- 5 Ibid.
- 6 Ibid.
- 7 From the National Voluntary Presentations of the Annual Ministerial Review, “Implementing the internationally agreed goals and commitments in regard to sustainable development”, of the ECOSOC 2008 High-level Segment, 2 July 2008.
- 8 Ibid.
- 9 MKUKUTA is a Kiswahili acronym for the National Strategy for Growth and Reduction of Poverty of Tanzania. Similarly, MKUZA stands for Zanzibar Strategy for Growth and Reduction of Poverty.

Chapter 5

OPPORTUNITIES AND SOLUTIONS TO THE GLOBAL FOOD CRISIS: ADDRESSING THE NEEDS OF SMALL FARMERS

Overview

Agriculture is the main contributor to development, food security and poverty reduction, particularly in the developing countries. Despite ongoing progress in global agricultural production (including fisheries and forestry), about 854 million people in the world still suffer from chronic hunger. Of these, 820 million live in developing countries, 25 million live in transition countries and 9 million are in the developed countries. The current global food crisis, which has seen food prices skyrocketing, is driving over 100 million more people into poverty.

At the Special Meeting of the Economic and Social Council on 20 May 2008 to address the crisis, Member States and other stakeholders emphasized the importance of immediately boosting the production of food by smallholder farmers as a way to improve food security and improve livelihoods. The Declaration of High-Level Conference on World Food Security in Rome specifically urged “governments to assign appropriate priority to the agriculture, forestry and fisheries sectors, in order to create opportunities to enable the world’s smallholder farmers and fishers.”¹

However, smallholder farmers, who constitute the large majority of agricultural producers, are often unable to respond to food price increases with increased production due to a lack of access to financing, agricultural inputs and markets as well as the impacts of environmental degradation and climate change. The 2007 fourth Global Environment Outlook: environment for development (GEO-4) report says unsustainable land use is driving land degradation in different regions, impacting agriculture. Land degradation ranks with climate change and loss of biodiversity as a threat to habitat, economy and society. Smallholder farmers are, therefore handicapped in their effort to feed their families and increase food availability in local or national markets. Without urgent support, these communities not only face negative consequences in terms of their nutrition, health, education and assets, but are also limited in their contribution to agriculture and development. In some cases, these farmers are withdrawing from the market and reverting to subsistence cultivation for household consumption.

The presentations contained in this chapter bring a series of ideas on strategies for agricultural development. It is said that overall, current terms of trade and trade policies, together with growing water and land scarcity, as well as projected changes in climate, are all projected to constrain growth in food production worldwide. There is a need for formal, traditional and community-based agricultural knowledge, science, and technology (AKST) to respond to increasing pressures on natural resources, such as reduced availability and worsening quality of water, degraded soils and landscapes, loss of biodiversity and agro-ecosystem function, degradation and loss of forest cover and

degraded marine and inshore fisheries. There is an unanimous call to invest in agriculture as the most efficient means to alleviate poverty and improve food security, and that within the agricultural sector, it was critical for small-holders and women to be targeted. Authors pointed out that small-holders were more efficient and were producing a large quantity of crops.

H.E. Mr. Frank T. Mwenifumbo, MP, Deputy Minister of Agriculture and Food Security of Malawi focuses on the success of agriculture in his country. He says that the economy is agro-based, with 36 to 40 per cent of GDP coming from agriculture. The Government has identified agriculture and food security as one of six priority areas in the Malawi Growth and Development Strategy. Malawi improved its agricultural production by small holders through putting in place an input subsidy program which helped them attain self-sufficiency over the past three years. The country is also harmonizing investment in the agricultural sector.

Mr. Robert Watson, Director of the International Assessment of Agricultural Science and Technology for Development (IAASTD), and Chief Scientific Advisor to the United Kingdom Department of Environment, Food and Rural affairs, presents the key messages of the IAASTD. He emphasizes that agriculture must be seen as a multifunctional sector, and the important role of women, health and traditional knowledge must be recognized. The world community must invest in agro-ecological research and integrate traditional knowledge with academic knowledge.

Mr. Steven Schonberger, Lead Operations Officer in Agriculture and Rural Development, World Bank underscores the benefits and challenges of the “empowering value chains” which focuses on helping small holders integrate into new opportunities in agriculture.

Ms. Sandra Polaski, Senior Associate and Director, Trade, Equity and Development, Carnegie Endowment for International Peace, focuses on trade policy, which has an important role to play in determining how countries and households are affected by changing global food prices and in establishing the environment in which policy responses are carried out.

Mr. James C. Borel, Group Vice President, DuPont, says that the private sector is concerned about the current problems in agriculture, rising inflation and the rapidly growing demand for, and limited quantities of, food in many areas around the world. He talks about the issues of agricultural prosperity and market access for small-scale farmers.

Malawi's Efforts in Harnessing Increased Agricultural Production for Sustainable Food Security and Socio-Economic Development²

By H.E. Mr. Frank T. Mwenifumbo, MP.
Deputy Minister of Agriculture and Food Security
Republic of Malawi

The fact that agriculture is the main source of development, food security and poverty reduction has been reiterated by several other distinguished speakers during the High-level segment of the 2008 substantive session of ECOSOC. It has also been collectively appreciated that this fact is much more pronounced in developing countries than developed countries. This demonstrates the need for a more proactive policy shift towards prioritizing investment in agriculture production. Again, this has to be done with more concerted efforts and in much more practical ways in least developed countries where the majority of producers are resource-constrained smallholder farmers. The following efforts/initiatives were taken in Malawi to address this challenge.

Malawi's economy is agro-based with 36 per cent to 40 per cent of GDP coming from agriculture. The sector further generates about 90 per cent of the country's foreign exchange earnings and employs the majority of the rural people who account for more than 85 per cent of the currently estimated between 10.8 million and 12.4 million people.

The period after independence witnessed growing levels of agricultural productivity. Malawi was self-sufficient in terms of food production. However, World Bank and IMF Structural Adjustments Programmes (SAPS) in the early 1980s and the subsequent market liberalization policies resulted in the abolition of agricultural subsidies. This negatively affected accessibility of agricultural inputs by smallholder farmers. Additionally, a number of other factors, including poor weather conditions also affected the sector. Consequently, the country had during the entire 1990s been experiencing declining agricultural productivity, more especially in the production of maize which is the country's staple food. This forced the Government to engage in persistent importations of food, especially maize grain, for humanitarian purposes.

Government Policy Intervention

Recognizing the negative effects of poor agricultural productivity, Government has identified Agriculture and Food Security as one of the six priority areas in the current Malawi Growth and Development Strategy (MGDS)³. At the sectoral level, the Ministry of Agriculture and Food Security has formulated a programme based approach framework, the Agricultural Development Programme (ADP). The ADP is aimed at harmonizing all investments into the agricultural sector thereby operationalizing the agriculture components in the MGDS. The ADP has to this effect identified food security and risk management, commercialization of agriculture through agribusiness development and land and water management as the major areas of focus in the next five

years. Issues of agricultural research and technology generation and institutional development and capacity building have been mainstreamed in the three major focus areas.

In terms of actions plans, Government has focused on improving agricultural productivity by smallholder farmers by ensuring easy access to improved agricultural inputs. This has led to the conception and implementation of the Inputs Subsidy Programme, which aims at subsidizing agricultural inputs (fertilizers and seed) to targeted smallholder farmers starting from the 2005/06 growing season.

Results of Programme Implementation

The country has for the first time registered food surplus production levels of 400,000 metric tonnes, over 1 million metric tonnes, and 500,000 metric tonnes in the growing seasons of 2005/06, 2006/07 and 2007/08 respectively.

Harnessing and Sustaining the Commodity Boom: Strategic Management of Returns to Investments

After attaining food self-sufficiency for three consecutive years, the Government's current priorities are to ensure sustainability of the food security situation, enhance returns on investment by preventing leakage through commodity smuggling, and enhance agricultural commodity diversification for increased income to smallholder farmers.

To this effect, Government has put in place programmes that will expand its strategic management capacity. Construction of regional steel bin maize silos is underway and a 20,000 metric tonnes facility was completed late last year. Meanwhile two more facilities are being constructed in the northern and southern parts of the country each with the same capacity level. These are expected to add on to the existing centrally located silos which have the capacity of storing 180,000 metric tonnes of grain. The idea is to ensure that the country has enough and affordable food stocks at all times, since consideration for exports will only be made after re-stocking of all available silos.

In terms of improving agricultural diversification of products to ensure increased agro-based incomes, Government has since last year started subsidizing the cost of improved cotton seed and cotton pesticides to targeted smallholder farmers. This is in response to the policy priorities of the Malawi Growth and Development Strategy which identifies cotton as one of the strategic crops that has great potential of complementing and gradually substituting tobacco as the main foreign exchange earner for the country. The crop is very important in the economy of the country since it is a raw material for the country's textile industry. The seed from cotton can be processed into very precious edible oil while the seed cake can be used as an animal feed. The current low levels of cotton production results into increased importation of cotton lint for use in the local textile industry. Apart from initiating the subsidy, Government has also strongly engaged cotton ginners who buys from farmers into a collaborative process of determining minimum farm gate prices based on the cost of production. These two initiatives have tremendously increased the production levels of cotton this year.

To further improve the profitability of the enterprise to farmers, Government is planning to install mini ginneries in strategic cotton growing areas of the country in order to ensure

that farmers benefit from the entire value chain of the commodity. It is expected that farmers will be able to process their seed cotton and sell lint at much higher prices than those offered for seed cotton. The ginneries will also employ people in the country as such Government has put in place restrictions on exportation of seed cotton in order to arrest the associated job exports.

The second major effort in product diversification is with respect to cassava production. The focus on cassava is in view of its ability to produce high levels of yields even in tough weather conditions. It is therefore expected that sustained increase production of cassava would cushion the country against hunger even in the events of droughts and dry spells. Additionally, cassava is considered to have a substantially high commercial value as it can be processed into a range of products. These include starch, glue, chips, animal feeds and flour. Despite the high production potential of cassava, the country is still importing starch and glue due to the limited processing capacity. Therefore, the Malawi Government has devoted resources towards revamping cassava processing in the country. The high cassava production in the country needs to be supported by increased processing capacity in order to save foreign exchange spent on imports of starch and glue. These products may also be exported once the county's requirement is surpassed. To promote its production, the Government has established farmer managed nurseries which ensures timely availability of adequate clean planting materials. These efforts have raised cassava yields from 14.3 metric tones per hectare in 2004/05 to 18.8 metric tones per hectare in 2007/08 and production levels from 2.2 million metric tones to 3.3 million metric tones over the same period.

Meanwhile, Government is planning to promote cassava processing into high value products such as starch, glue, chips, animal feed and flour. However, the country requires financial assistance from its cooperating partners to operationalize these plans at a much wider scale that would speed up attainment of the envisaged outcomes.

Other crops that Government has earmarked for strategic support in the short to medium term include: sweet potatoes production for diversified food security, and sugarcane production, intensification of macadamia production and tea production by smallholder farmers for increased agro-based incomes within the smallholder agriculture sub-sector to enable it graduate from a subsistence farming into a commercial enterprise so as to spur economic growth and development.

Way Forward

The Government of Malawi remains committed to increasing agricultural production of maize for both food as well as export purposes. However, maize exportation will be at such a time when adequate product is bough from farmers and stored in the strategic grain reserve facilities. We are therefore treating the increase in food prices as an opportunity as we expect to gain more foreign exchange earning through exports of surplus maize, which will be used to offset the high costs of fuel and improve the trade balance for the country.

The country is seriously working on long term measures of sustaining this glorious position that has been attained in both food security as well as economic development. To this effect, investment in irrigation development (which is the second priority area in the

MGDS) is underway. Due to high investment costs in this area, an appeal to our cooperating partners for the requisite financial and technical supports is hereby being extended. However, several land and water management initiatives have already been incorporated in the ADP. Through this programme, Government will from this year intensify the implementation of rain water harvesting technologies, use of organic fertilizers to enhance soil fertility and various other conservation farming technologies.

In conclusion, I wish to mention that I have noted with great interest the concerns from many distinguished colleagues with respect to the issue of sustainability of some of these programmes, especially the subsidy programmes. In respect of this issue, Malawi strongly believes that with the little resources that the country has, the country has demonstrated to the entire world that with strong political will and leadership and stakeholder involvement, good results can be attained as in the case of food security. In the circumstance, my appeal on behalf of Malawi is that the international community including the UN system, must take this opportunity to help in sustaining what we believe has alleviated our long-standing problems in attaining socio-economic development. The gaps that exist must be closed and we will appreciate those partners who will come forward to help to sustain the path we have already established.

How to Assist the Small-Scale Farmer⁴

By Mr. Robert Watson

Director of the International Assessment of Agricultural Science and Technology for Development

Chief Scientific Advisor to the UK Department of Environment, Food and Rural affairs

Director for Strategic Development of the Tyndall Center, University of East Anglia

The following key messages are taken from the recently completed International Assessment of Agricultural Science and Technology for Development (IAASTD), which was approved by 60 developed and developing countries in South Africa in April, 2008. The IAASTD was co-sponsored by the World Bank, FAO, UNEP, UNESCO, UNDP, WHO and the GEF.

Food prices

The world currently faces a problem of high food prices caused by: (i) increasing demand from rapidly developing countries; (ii) high energy prices; (iii) a series of poor harvests due to variable weather at a time of low food stocks; (iv) use of some foods for bio-fuels; (v) export restrictions from food exporting countries; and (vi) speculation of the food commodity markets. Although the price of some commodities has more than doubled in the past year or two, it must be noted that the current prices are still lower than in the 1970s and 1980s. The agricultural sector has significantly increased production over the last 40 years resulting in more food per capita and lower food prices. But, the benefits have been uneven with over 850 million people going to sleep each night hungry and with about 150 million children under 5 years old being severely under-nourished.

Environment

Intensification and extensification of agriculture has resulted in increasing emissions of greenhouse gases, and loss of biological diversity and land and water degradation in many parts of the world.

Multi-functionality

The problem is that the agricultural sector to date has largely focused on production alone rather than acknowledging that agriculture is multifunctional and also provides economic, environmental and social services. It is critical that increased agricultural production in the future does not lead to environmental degradation, and results in social cohesion, gender equality, improved human health and respects local and traditional knowledge. It is also important to recognize that the small-scale farmer is embodied within national, regional and global trade systems and markets. Recognition and promotion of the multi-functionality of agriculture can be in part be accomplished through payments to the farmer for ecosystem services, e.g., carbon sequestration.

Agro-ecology

Environmental sustainability requires increased investments in agro-ecological research, which can be most effective when it is participatory, with the farmer in the middle. It is critical to integrate local and traditional knowledge with the knowledge of researchers from universities, government laboratories and the CGIAR system. New and innovative applications of existing AKST and new approaches to agriculture and NRM are needed to address the challenges ahead. Approaches should include integrated pest and nutrient management, improved water management, use of improved genotypes, advances in classical plant and animal breeding, and use of remote sensing and information technology. Application of these approaches can lead to site-specific and resource-efficient production.

Small-scale agriculture

Targeting small-scale agricultural systems is critical through new and innovative public-private partnerships, increased public investments in research and extension systems, and development-oriented local governance and institutions. Emphasis should be placed on developing cooperatives, farmer organizations, business associations, scientific organizations explicitly supporting the needs of small-scale agricultural producers, and entrepreneurs to capture and add value to on-farm, post-harvest and off-farm enterprises. These are needed to assist the small-scale farmers, who are environmentally sustainable without sacrificing yield, overcome high marketing costs thus enabling them to harness their market potential.

Gender

Women, who play a critical role in agriculture in most developing countries must be empowered. Gender and social equity in AKST policies and practices is critically important and women must be involved in decision-making. Realizing the potential of women in agriculture requires strengthening public institutions and NGOs to understand the changing roles of women as well as their access, *inter-alia*: (i) to education; (ii) to market and S&T information; and (iii), ownership and control of economic and natural resources. This can be accomplished through legal measures, appropriate credit schemes, support for women's income generating activities, reinforcement of women's organizations and networks, and providing explicit priority to women's farmers groups in value-added chains so that they can benefit from market-based opportunities.

Trade

There is an urgent need to reduce and eliminate trade-distorting subsidies and support the development of basic institutions and infrastructure prior to opening national agricultural markets to international competition otherwise there can be long-term negative effects for poverty, food security and the environment. The challenge is to make small-scale farmers profitable and benefit from an equitable trade regime. While trade can be beneficial to the poor, it will, however, require: (i) differentiation in policy frameworks and institutional arrangements; (ii) national policy flexibility in order to assist the small-scale sector; (iii) removal of barriers for exports where developing countries have a competitive advantage; (iv) reduction of escalating tariffs between developed and developing countries, and

between developing countries for processed commodities; and (v) deep preferential access to markets for LDCs. These trade reforms need to be accompanied by increased access to credit for small-scale farmers, increased public investment in rural infrastructure and public goods, removal of resource-use distorting subsidies, taxes on environmental and social externalities, addressing property rights and payments to farmers for ecosystem services, e.g., carbon sequestration.

R&D

Increased public sector investment in R&D and extension services has a high economic pay-off and is urgently needed in many developing countries where investments to date are inadequate. In addition, there is a need to stimulate private sector investments. AKST is needed to reduce production costs in order to make food affordable to the consumer and profitable for the farmer, while being environmentally and socially sustainable.

The Challenge

The overall challenge is to double agricultural production during the next 25-50 years to meet the increased demand based on projected demographic and economic changes, as well as reducing post-harvest loss. The food needs to be nutritious, affordable and safe and produced in an environmentally and socially sustainable manner. The challenge is to meet this increased demand at a time of:

- Increased competition for water from other sectors and a changing climate;
- Increased competition for land from biofuels and infrastructure;
- Land policy conflicts;
- Less labor due to endemic diseases, e.g., malaria, HIV-AIDS, and rural to urban migration;
- Less biodiversity at the genetic, species and ecosystem levels;
- Local and regional air pollution, e.g., tropospheric ozone and acid deposition; and
- Climate change – changes in temperature, precipitation, sea level, extreme weather events such as floods, droughts and heat waves represent a major challenge, especially in the tropics and sub-tropics, where hunger is prevalent today. Crops, forests, livestock and fisheries are all projected to be impacted, most negatively. Hence, advances in AKST are needed to develop temperature, drought, pest and salinity-tolerant crops and trees, and address the issue of emerging animal diseases.

Conclusion

Business-as-usual will not work. We need to build upon the successes of the past and avoid the mistakes – to summarize the key messages:

- Agriculture must be viewed as multi-functional;
- There is a need for increased emphasis on agro-ecological approaches and use of appropriate technologies;

- Support the small-scale farmer, through policies and investments;
- Empower women;
- Integrate local and traditional knowledge with formal knowledge;
- Equitable trade reform with national flexibility; and
- Increased investments in R&D and extension services.

Building Empowering Value Chains: Integrating Small Holders into the New Opportunities in Agriculture⁵

By Mr. Steven Schonberger
Lead Operations Officer in Agriculture and Rural Development
World Bank

Introduction

The World Bank is pleased to be part of the Secretary General’s High Level Task Force responding to the food crisis in order to find better ways to serve Member States. In that spirit, this presentation really draws on something done jointly by colleagues from IFAD as well as the World Bank and equally draws quite heavily on work from FAO. It is a demonstration of the type of collaboration that is hoped to become emblematic of the way the UN and Bretton Woods institutions work in response to the food crisis. In addition, as technical agencies, the World Bank feels its role is to try and support the kind of dialogue and discussion that is going on today and beyond today by providing information and hopefully helping to illustrate some of the points that have already been made by other panelists.

This is about building what are being called the, “empowering value chains”, which means essentially to help small holders integrate into the new opportunities in agriculture. There are a few key messages to this discussion. First, as many people have pointed out, the context for agriculture is changing very rapidly in the world: before the food crisis, during the food crisis and it will continue to change after the food crisis. Secondly, while this creates a number of concerns in terms of poverty reduction and new poverty, it also potentially provides some new opportunities for small holders. Thirdly, the reality, though, as several people have pointed out already, is that there are several key constraints that are limiting the abilities of small holders to realize these opportunities. It is important to focus on the fact that helping small holders respond requires innovations not only by the farmers themselves but also in the way public and private actions support small holders to overcome these constraints. Lastly, it is also important to be clear. There is a lot of excitement about helping small holders engage in commercial agriculture but this is a process that will take time. There are groups who will not be able to engage in this process and they are probably the majority in the short run. Despite the focus of the presentation, it is important to understand that there will still be a very large number of small holders who will need support in terms of safety net type activities to avoid poverty or to get out of poverty.

The change in food markets

It is known that prices have gone up and that this provides an opportunity from a producer’s standpoint. The nature of the demand in the food markets is changing dramatically. As it can be seen that while talking about cereals (from the point of view of a producer who sells into a market), meat and horticulture products are really becoming the drivers of international food markets right now. The large new opportunities are

emerging in these markets. This is both in developing countries, in terms of their own consumption, as well as in the opportunities for exports.

It is also known that the supply chains in food are increasingly integrated. Supermarkets have become a very important factor and that is creating a lot of integration from the retail side all the way back to the producers. However, at the same time, that coordination can become a potential advantage. And, in addition, a lot of supermarkets are realizing that there are real opportunities to sell to the poor as they can provide cheap, reasonable quality food and they are going to smaller cities in developing and developed countries. This is also becoming a focus of the way foreign investment in food markets is being channeled, as well as an interesting trend in terms of small holders sourcing as retail value. The fact that a product comes from small farmers in developing countries actually provides a price premium in many markets which is a tremendous opportunity.

There is also an increasing demand for environmental services from agriculture such as carbon sequestration, biodiversity, water quality, or erosion control. This is taken from last years' FAO "World Food and Agricultural Report" which shows the number of opportunities there are and the way that they can be linked to small holder agriculture very effectively. People are increasingly willing to pay for these services, which is an important thing to keep in mind. Furthermore, agriculture is critical to climate change. In developed countries green house gas emissions are primarily coming from energy, but in the case of developing countries they are largely coming from agriculture and deforestation, which is generally associated with agricultural expansion. It is clear then that, to the extent developing countries are working on the climate change agenda, agriculture has to be central.

Another interesting aspect of the way the world is changing is the democratization of information access. Mobile phone access and subscribers have increased very quickly in Africa relative to fixed lines. These new technologies are providing tremendous access opportunities that did not exist ten or fifteen years ago. The growth in access to this new technology is mostly occurring in the developing world. The developing world, though it is not consistent everywhere, is taking advantage of the opportunities and is an important part of the context.

The small holder sector

Why the small holders? Most of the poor people live in rural areas, a huge number of farms are small and less than two hectares and a third of the world's population depends more or less on small holder farming. Analysis that has been done recently shows that agricultural growth is at least twice as effective in reducing poverty as non-agricultural growth. Investment then in agricultural growth is effective investment, as there can be a much greater impact on poverty than non-agricultural investment. For the majority of crops small holders are more efficient producers. Of course, there are a lot of caveats on this notion but it still holds true to a great extent. And finally small holder agricultural systems, particularly the commercial aspects that are often focused on life stock, fruits and vegetables, are really dominated by women in many cases while generally having men very much focused on traditional grain crops. Therefore, it is a real win-win situation if this moves forward.

In speaking about “empowering value chains”, what does this look like? This is about allowing small holders to seize these agricultural opportunities. An empowering value chain should increase producer knowledge of market demand and pricing; it should increase investments from the rest of the private sector to the small holder sector; it should increase the access of small holders to technical knowledge, finance inputs and new technologies; it should reduce the transaction costs of the producer, processor and marketing interfaces; and it should increase the share of value added captured by the primary producers. There are a number of examples which show that these measures work. They are increasing the market shares of small holders and they are increasing the returns to small holders in agriculture. And this has happened across the world in every continent.

Why aren't more empowering value chains emerging if they work so well? There are a number of issues, and investment climate issues are one of them. In many countries (which is the case across continents) it is difficult to start a business and to export, and these difficulties vary enormously. The investment climate is part of the market test for many investors and even for small businesses. What do we see in countries without a good investment climate? A lot of what could be called extractive investors can be seen, who really come in with a short-term gain mentality which can limit the opportunities for small holders or it can lead to a very exploitive relationship with small holders. Getting a good investment climate, getting good investors, increasing the opportunities for local investors is a challenging task as without them these integrated marketing chains cannot develop. This is particularly a problem for countries with small internal markets because it is harder to attract investors to those areas. Also, existing marketing systems are often tremendously inefficient. The number of steps, the small increments, the time and the losses that incur in them and the intermediaries leave very little for the primary producer.

Property rights are also emphasized. In having a better land distribution the economy grows better which is shown by a lot of evidence across the world. This only works, though, if small holders have reasonable tenure security so they can invest and take advantage of their productive advantage. Productive advantage is theoretical and it only works if people have the opportunity to invest both in terms of their own incentive and that of the market to support them. The issue of limited access to finance is also known. Farmers who have access to finance do better and those with more constraints to finance have lower returns to their work and lower overall returns. Also low credit creates less willingness to take risks.

Another issue that has been raised is the underinvestment in agriculture and rural infrastructure. This shows a decline across three continents over the last 25 years. Again there is a focus on trying to get the investment back into both agriculture and rural infrastructure. This of course is not just about more money but also about the quality of the investments. A study conducted by IFPRI (International Food Policy Research Institute) ranks different types of investment in terms of their contribution to agricultural production and growth and their contributions to poverty reduction. There is some consistency across countries, there is some variation, but the important point is that measures like agricultural research have tremendous returns in both cases. Rural roads also have great returns in both cases. Education is also tremendously important, other elements, however, vary across countries. It is not to say that any of these factors are bad

in any country outside of these but we have to be careful how these increased funds are used to have a real impact.

Another constraint or challenge is that there is an increasing concentration in the agri-business sector. Whether that is a good or a bad thing cannot be determined *a priori*, but there are some factual consequences. For instance, the spread between producer and retail prices is increasing, and the developing countries' claim on value added has declined tremendously. This means that businesses will still keep concentrating but the challenge is how to build the other side of the market power, such that one can really engage on more equal terms.

Building empowering value chains

In order to build empowering value chains there is a need to strengthen legal frameworks to build security, trust and reduce the costs of transactions for small holders and for all parts of the value chain; a need to improve the general business climate, to improve the emergence of small businesses, to improve investment, trade facilitation and encourage this investment in the sector; a need to strengthen land access and tenure security, develop the world financial market, improve the efficiency of input markets and rural infrastructure; the quality and phyto-sanitary standards are starting to dominate over tariffs in terms of trade barriers. Countries need to have the capacities to help their small holders address issues of market information and most importantly they need to strengthen the role of producer organizations to help farmers engage on more equal terms in the market.

This creates some new roles for the state which includes also institutions like the World Bank which support the state in supporting the people of a country and the small holders. What are the drivers of this global flow of information and technology about market access? States have to go from financing investment directly to providing an investment climate that allows these flows to occur. States cannot keep up so much with what is going on but they can help the right kind of firms to come in to bring a lot of this innovation. The private sector is dominating the input and output markets now. In the past, the state supplied these inputs and they also bought the outputs of farmers. Now it is a lot more about regulating the input markets to make sure farmers are getting what they are paying for, gathering information, and also helping again with the quality and phyto-sanitary aspects. There is a whole move towards empowering rural communities so that the investments and services respond to farmers, so that they can engage the private sector. This is creating a dynamic from a very centralized investment-planning approach and service delivery to one where the state really facilitates political and fiscal decentralization and supports engagement by farmer organizations and civil society. There is a tremendous need to improve the coordination of service delivery and avoid duplication of regulations and red tape. To reiterate then, the role of the state is going from agencies and ministries working in silos in their various areas to a real need for inter-institutional coordination amongst government agencies to meet these integrated requirements.

The private sector also has to fulfill a new role. They are going from vertical integration and their own sourcing in one or two countries to global sourcing and a higher degree of diversification of their products. This can be seen in many businesses such as the

garment industry. It is important for the private sector to hedge their risks, which creates opportunities to some degree. There is much more demand for socially responsible products. Companies are not just looking at cutting supply costs but also looking at how to market small holders. They become potentially a partner in marketing the idea of small holder production. There is also a driver in terms of increasing importance of new cultural markets. People are much more interested in ethnic foods and in different experiences in foods. Companies are moving from the idea of uniform product characteristics to encouraging traditional varieties and product diversity. At fast food places it can be seen how before, for example, McDonald's claimed having the same burger in all countries. Now they focus on how to adjust their products to meet local demand. This can go all the way back to the supply chain where they need more small holder input to meet those ethnic and cultural demands in the food markets. Finally again, the phyto-sanitary and quality are the new trade barriers. Companies are going further away from a dependence on intermediaries where they would simply avoid getting involved with small holder producers to really working directly to support those producers to ensure quality of product.

In conclusion, farmer associations are critical. It is also important to make the caveat about the need to address those who will not be able to integrate into the supply chains quickly. Furthermore, there is a need to stress that supporting empowering value chains requires not just a new approach by the small holders themselves and the market, but a real significant change in the role and action of the public sector and external public support that goes in that area.

Food Prices, Poverty, and Small-Scale Farmers: Getting the Global Trade Regime Right⁶

By Ms. Sandra Polaski
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Introduction

Rising food prices are caused by a complex mix of factors and their global impact differs widely among countries and among households within countries. Thus appropriate policy responses must be based on a careful analysis of causes and effects, and a recognition that the optimal responses will differ among countries. Impulsive or one-size-fits-all prescriptions are likely to make matters worse, both in countries that are facing humanitarian crises and hunger as a result of higher prices and in other countries where the same price increases hold out the opportunity to lift incomes of millions of poor farmers.

Many of the factors contributing to the recent rapid increase in prices of rice, wheat, corn and other food staples are widely recognized and beyond dispute: increased costs to farmers due to high fuel and fertilizer prices; neglect of agriculture in many developing countries over recent decades, leading to reduced supply; the reduction in food stocks held by many developing countries; supply disruptions caused by drought in some agricultural exporting countries; rising demand in large developing countries that have experienced growth in household incomes; and the decline of the dollar, the currency in which many commodities are priced on global markets. Other causes are acknowledged but their relative importance is strongly contested. These include the impact of competition from biofuels for food crops and land use and the extent of an asset bubble in commodity markets.

The impact of food price increases on poverty in developing countries depends on the importance of agriculture in those economies, both as a source of employment and in terms of contribution to GDP, and on the income and consumption patterns of the poor, including such factors as whether they are net sellers or net buyers of food and whether they depend on the agricultural sector for wages or other sources of income.

Because there are multiple causes of the price increases and widely differing impacts, careful analysis is required to find appropriate policy responses for individual countries and to ensure that global policies allow sufficient flexibility to tailor suitable country strategies. These policies will necessarily span a broad range. This paper addresses trade policy, which has an important role to play in determining how countries and households are affected by changing global food prices and in establishing the environment in which policy responses are carried out. The Doha Round of negotiations at the World Trade Organization offers a particular challenge, because those trade talks appear to be reaching a crescendo just as food prices have spiked. Bilateral negotiations, particularly those

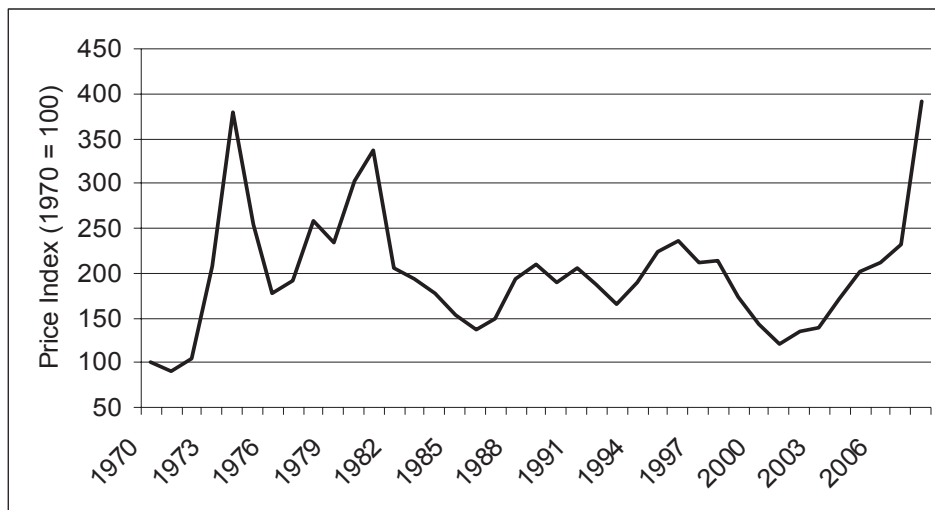
between rich and poor countries, must also be examined in the light of the current food crisis.

The paper is organized as follows. The first section puts the recent price increases in context by examining historical price changes for food commodities and discusses the current causes with that perspective. The second section discusses the varied impact of increased prices on poverty in developing countries. The third section presents an overview of the Doha Round as it relates to food prices. The fourth section identifies key current disputes in the Doha Round that will affect food prices and poverty for the foreseeable future. The next section mentions several issues in bilateral trade negotiations that require further thought. The final section offers conclusions.

Causes of the Current Increase in Food Prices, in Historical Context

The starting point for a serious discussion of current food price increases must be the historical pattern of price changes. Two consistent patterns emerge. First is that food prices are always volatile, because both food supply and food demand respond slowly to changes in price. As a result, any disruption in the match of supply and demand will produce exaggerated changes in price. Figure 1 illustrates the volatility of prices for one crop, rice, over the last 30 years. Data are adjusted for price changes over the period.

Figure 1: The Real Price of Rice 1970–2008



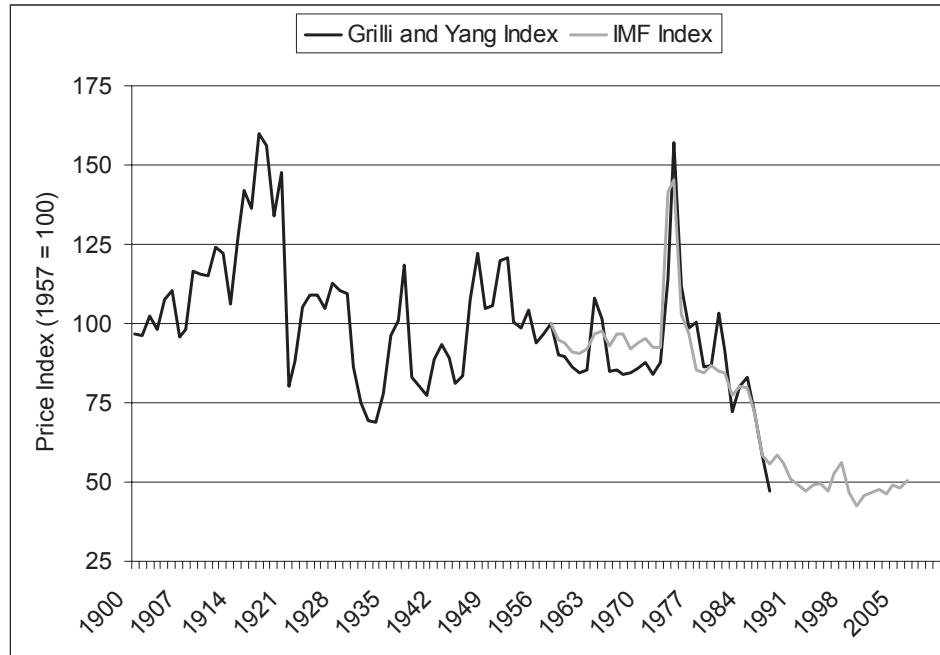
Source: UN Food and Agriculture Organization, staff estimates

The second historical pattern is that the price of food has shown a downward trend over the past century, relative to prices of manufactured goods. Figure 2 presents a generally accepted food price index for the period 1900–1987 developed by World Bank economists, updated with calculations by IMF staff for the period 1957–2006.⁷ While food prices have been rising for the last several years, they are still below levels that prevailed for most of the last century. Both the volatility and long-term downward trend

of agricultural prices suggest that policy makers plan for both price increases and decreases when responding to current prices and especially when making longer term strategies.

Is there reason to think that the current price spikes are harbingers of a fundamental shift in trends? On the one hand, rising food demand from growing developing countries, a significant factor in current increases, is likely to persist and this is indeed a positive development, as it indicates that more people can afford adequate nutrition. On the other hand, higher prices will elicit increased production—this can already be observed in this season's planting data. However other contemporary factors have complicated the relationship between supply and demand.

Figure 2: Long Term Trends in Real Food Prices



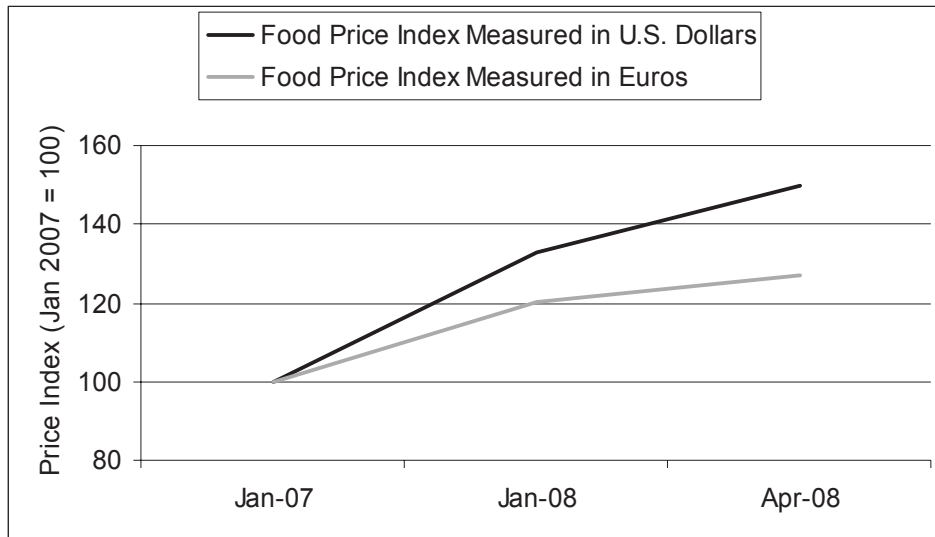
Source: IMF World Economic Outlook 2006

The competition of biofuels for crops and land use has had a relatively modest impact on food prices to date, but the effects will grow unless the United States and European Union revisit policies that subsidize biofuels and require their use in the two huge markets. One respected projection estimates that about 33 per cent of the projected increase in average cereal and oilseed prices over the next ten years will be attributable to biofuel production.⁸ While encouraging efficient biofuels could be an appropriate policy choice to diversify energy supply and relieve climate change pressures, some current sources of biofuels, particularly corn, actually add to global warming in addition to

competing for crops that are important to food supplies. These policies should be reexamined as a high priority, in light of the increasing evidence of their negative effects.

A large explanatory factor in the current mismatch between supply and demand for food can be found in the decades-long underinvestment in agriculture in many developing countries. As a result, some countries that were once self-sufficient in food have lost that capacity; others have had to import growing shares of their food supply. In a recent report on agriculture and development, the World Bank argues that this was the result of five factors: falling international commodity prices that made agricultural investment less profitable; increased competition for development aid from social sectors such as health and education; emergency responses to crises; opposition from farmers in some aid donor countries to support for agriculture in their export markets; and opposition from environmental groups.⁹ The World Bank's own support for agriculture dropped even more precipitously than that of other donors, from thirty-three percent of its development aid in 1981 to only eight percent in 2001.¹⁰ In many cases IMF structural adjustment programs and the Bank's lending also restricted developing country governments from spending their own resources on agricultural development and support to poor farmers. These adverse policies were undertaken despite longstanding evidence that economic growth in the agricultural sector is more effective in raising incomes of extremely poor people than growth originating in other sectors.¹¹ The policy implications are clear: the World Bank and other donors should dramatically increase investment in developing country agriculture and abandon the harmful conditionalities that prevent governments from supporting their agricultural sectors in appropriate ways.

Two other factors are worth noting because of their significance in recent price rises and because they are susceptible to policy responses. First is the role of the dollar. Most commodities are priced in dollars on global markets and the sharp decline of the dollar against many other currencies has exaggerated the rise in prices. For example, Figure 3 shows recent food price changes in dollars and euros. A second factor is the huge flow of funds into financial markets linked to commodity futures, including those for agricultural commodities. Various estimates put the flow at between \$100 billion and \$300 billion over the past few years, as hedge funds, large institutional investors and others have fled the real estate market and looked for high returns elsewhere. This has amplified both increases and volatility in food prices. While there has always been speculation in commodities markets, the size of the current investment surge is of a different order of magnitude and has disrupted the functioning of these markets for farmers who use them to hedge against weather and other risks. It must be anticipated that, as with all asset bubbles, when prices turn downward, money leaving these markets will accelerate the fall in agricultural prices, perhaps precipitously. Recent crises in global financial markets and housing markets in the United States and elsewhere are reminders that market failure is not uncommon and that financial markets amplify underlying failures.

Figure 3: Food price index measured in U.S. dollars and Euros

Sources: IMF Food Price Index; Euro/dollar exchange rates

Impact of Food Prices on Poverty

Rising food prices can either reduce or increase poverty, depending on how poor households earn their income and how they spend it. For example, households that produce and sell food crops will benefit from an increase in prices, unless they buy more food than they sell. In addition to direct selling and buying of food, the poverty impact will also depend on how price changes are transmitted through labor markets. If rising prices lead farmers to expand production and hire more farm labor, landless farm workers may benefit. The poor in urban areas will be adversely affected by rising food prices, unless labor market effects on their income outweigh the price changes. For example, if food prices go down, laborers from the countryside may search for work in nearby towns and cities, contributing to the supply of labor and perhaps lowering wages. Rising prices might improve local economies in rural areas in ways that benefit non-farming households, such as those of small-scale traders and service providers; again, these benefits could be outweighed by rising costs for food. The factors determining the impact on poverty are complex and the net results vary among countries and for different crops.

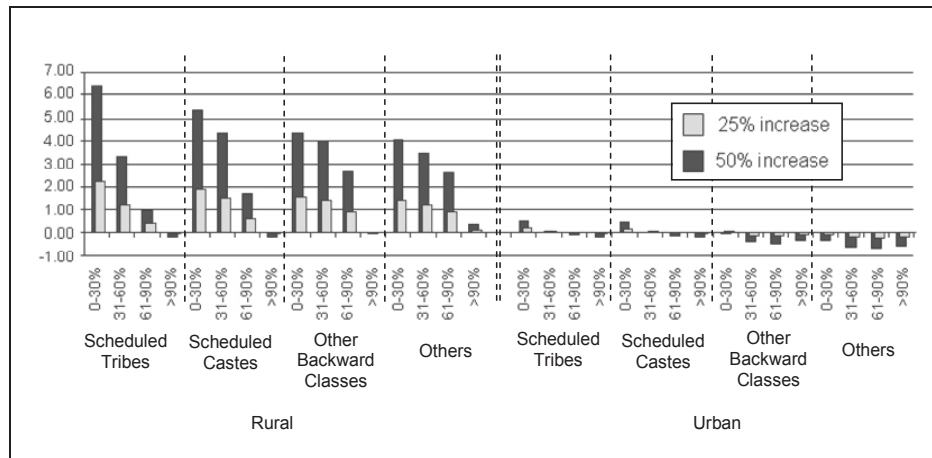
Because about seventy-five percent of the world's poor live in rural areas where agriculture is the main economic activity, one might assume that rising food prices would tend to alleviate poverty on average and at the global level. Surprisingly, the conventional view has been the opposite in recent decades. This view held that because more poor households were net food buyers than were net food sellers, lower food prices would alleviate poverty. There were relatively few studies that used actual data on sources of

household incomes as well as household food expenditures to explore this question. Now, however, a number of studies using detailed household data have called that generalization into question. A forthcoming study by two World Bank researchers finds that in a sample of nine low income countries, the net food sellers were poorer than net food buyers.¹² Rising food prices would tend to transfer income from richer to poorer households, while lower prices do the opposite. Among poor net food buying households, almost half spent less than ten percent of their income on food, meaning that rising prices would have only small impacts on expenditure and might be outweighed by changes in income. The study then explores the links between agricultural prices and the sources of income for net food buying rural households, finding that about half of their income depends on agriculture, whether directly through farming or pastoral activities or through wage and business income that is linked to agricultural incomes. Two other seminal studies, one for Bangladesh and one for Mexico, developed theoretical models of the role of labor markets, land markets, and spillover effects of agricultural prices in rural economies and tested them with household survey data.¹³ They demonstrate that secondary effects may outweigh the direct effects of food prices. Findings from all of these studies indicate that a simple focus on net consumption versus net production is likely to be misleading. They also provide important analytical foundations for further work to better understand the relationship of food prices to poverty.

Overall, fifty-four percent of the world's poor live in India and China and thus the response of poverty in these two countries is an important component in assessing how changes in food prices will affect global poverty. A recent study by the Carnegie Endowment probed the effect of food price changes in India, the country with the largest number of poor in the world, where over eighty percent of the population live on less than \$2 per day.¹⁴ Using a general equilibrium model to simulate the impact of different prices, we found that an increase in the price of rice would benefit most poor households (Figure 4). The detailed household data we used included information on vulnerable social groups (defined in the Indian constitution as “scheduled tribes,” “scheduled castes,” and “other backward classes”). The poorest households and the most disadvantaged groups saw the largest gains (up to six percent increase in income from a fifty percent increase in the price of rice). Only the richest ten percent of rural households would lose from a price increase.

We found that labor markets played a largely positive role in transmitting price effects. Income increased for rural workers at all education levels and for both men and women; the largest gainers were illiterate workers and disadvantaged groups. The impact on urban households was more varied, with some poor households gaining slightly and others losing slightly. Illiterate urban workers from all disadvantaged groups would see their incomes rise, while the results for other urban workers showed a mix of small gains and small losses with no consistent pattern.

Figure 4: Impact of an Increase in the World Price of Rice on Indian Households (Percentage change in real income relative to baseline nominal income to households)



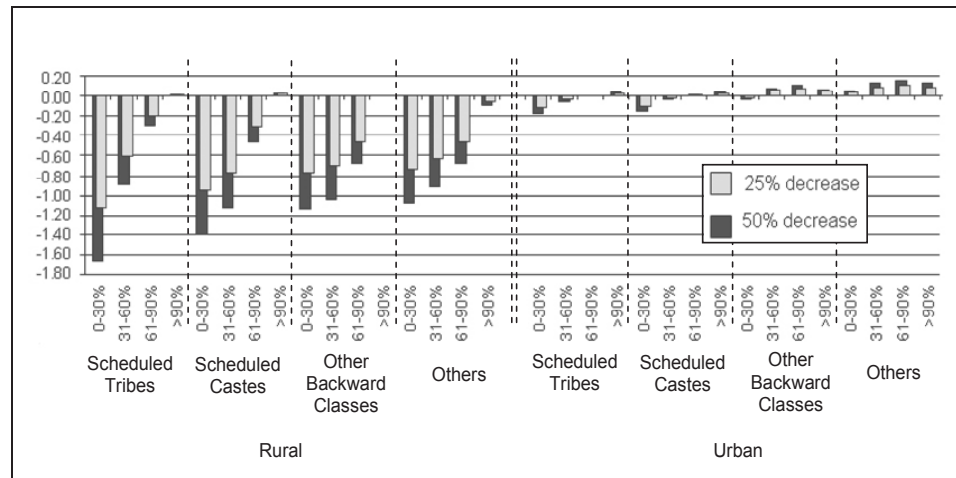
Declines in the world price of rice would have negative effects on all major components of the Indian economy, including private consumption, government spending, investment, exports, imports, and total domestic production (Table 1). Seventy-eight percent of households would experience real income losses and the distributional impact would be regressive. Real income would fall for all rural households except the richest ten percent, with the poorest households and disadvantaged groups in rural areas losing the most (Figure 5). Most urban households would feel little impact from the price declines. The lowest income brackets of disadvantaged groups experience small income losses.

Table 1: Impact of a Change in the World Price of Rice on India's Economy (Percentage change from baseline)

Macroeconomic indicator	World price of rice decreases by 25 percent	World price of rice decreases by 50 percent	World price of rice increases by 25 percent	World price of rice increases by 50 percent
Private consumption	-0.16	-0.24	0.30	0.84
Government consumption	-0.09	-0.12	0.17	0.52
Investment consumption	-0.19	-0.28	0.39	1.20
Absorption	-0.16	-0.24	0.31	0.89
Import demand	-0.88	-1.28	1.82	5.62
Export supply	-0.64	-1.24	0.60	1.08
Total domestic production	-0.12	-0.17	0.23	0.70

The drop in rice prices would reduce demand for unskilled labor in rice production sharply, by almost twelve percent in the case of a fifty percent decline, and reduce overall demand for labor in the agricultural sector. Displaced rural laborers would spill over into urban unskilled labor markets, either driving down wages or increasing unemployment. Our study demonstrates that the inclusion of linkages between rural and urban labor markets is necessary to understand the impact of agricultural prices on the poor.

Figure 5. Impact of a Decrease in the World Price of Rice on Indian Households (Percentage change in real income relative to baseline nominal income to households)



We conducted a similar exercise for increases and decreases in wheat prices. The results showed similar patterns but with more muted effects. The overall effect of a decline in wheat prices could be to increase poverty, as 92 million rural households in the bottom six deciles of income would experience some real income loss, while only 32 million urban households in the same deciles would experience income gains.

As noted, India is home to the largest number of poor people in the world. The second largest concentration of the poor is in China. Several studies using general equilibrium models have shown that rising world prices for grains would reduce poverty in China.¹⁵ Higher prices are offset by higher earnings for labor and land, leading to a decline in poverty for all household groups with significant poverty, including urban households.¹⁶ Most historical studies conclude that the large reduction in poverty in China since 1978 was based primarily on better incomes in rural areas, attributable in significant part to higher prices for food.

Two other recent studies looked at groups of developing countries that did not include China and India. One study found that higher food prices would reduce extreme poverty in nine of fifteen countries studied.¹⁷ Another looked at nine countries and found that rising food prices would increase poverty in seven.¹⁸ The studies cited here and others

provide abundant evidence that patterns of poverty, income, and expenditure differ among developing countries and so the impact of food price increases will differ. Some countries will undoubtedly suffer increases in poverty when prices rise, while others will see poverty decline.

The important conclusion that emerges is that it would be incorrect to generalize from simple net consumer/net producer ratios or the experience of particular countries to judge the effects of food price increases on poverty. The wide variation in impacts across countries, for different crops, and for different types of poor households demonstrates the need for varied policy responses and importance of avoiding misdiagnosis or one-size-fits-all policy prescriptions. We return to this topic in the section of the paper dealing with relevant issues in the Doha negotiations.

How Will the Doha Round Affect Food Prices?

It is generally acknowledged by experts that a Doha settlement would have no short-term impact on food prices. The tariff changes and other rules of a final deal will not begin to take effect until after the agreement is concluded, ratified by member states, and comes into force, a process that will take several years. Countries will then begin to phase in agreed changes over a number of years. The prior Uruguay Round, for example, allowed countries up to ten years to implement commitments. The trade negotiations, however, are not aimed at the short term. The rules and tariffs negotiated will prevail for the foreseeable future, until changed by some yet unscheduled future round of global trade talks. As a result, the Doha Round must be assessed for its medium and long term implications and its impact under conditions of both rising and falling food prices must be taken into account.

During the six years since the launch of the Doha Round, numerous general equilibrium studies have been undertaken to simulate its potential impacts. All studies have found that a Doha package that includes reductions in domestic agricultural subsidies, export subsidies, and tariffs will raise food prices modestly on global markets. These studies have also reached the common conclusion that most developing countries will see some benefits from the Round, although net food importing countries including Bangladesh and many sub-Saharan African countries are likely to be net losers because of the increased cost of food. Focusing on agricultural trade, a recent careful study by World Bank researchers found that globally, an additional nine million people would fall into extreme poverty as a result of full liberalization of trade in agriculture.¹⁹

Public discourse on the link between rising food prices and the Doha Round has sometimes been based on a mistaken belief that a conclusion to the negotiations is needed to lower prices by reducing tariffs. However all countries currently have the right to lower the tariffs they actually apply—including to zero—at any time. WTO membership only obligates countries not to *raise* tariffs beyond levels agreed to in previous rounds of negotiations (these are called “bound” rates). In practice, many net food importing developing countries have already cut tariffs on staple foods to bring some immediate relief to their consumers, including the poor.

There is a large gap between bound and applied tariff rates, particularly in agriculture, particularly for developing countries. A major reason they have sought to maintain

higher bound rates while sometimes applying low tariffs in practice is their need to deal with the volatility of agricultural prices and the long period of low food prices that just ended, discussed above. When global food prices are high, as now, governments have the ability to lower tariffs. When global food prices fall (as they have in the past and will again), governments can raise tariffs back up to the bound level to shield their farmers from sharp drops in income. This flexibility is particularly desirable going forward, when two factors may increase price volatility. First, scientists predict more extreme and variable weather as a result of climate change, which could lead to more frequent supply shortfalls. The other factor is the increasing role played by futures markets for agricultural commodities, discussed above. Like other financial markets, they are driven as much or more by expectations, and herd behavior than by underlying fundamentals and so tend to be much more volatile than actual supply and demand.

Optimizing Doha Round Decisions to Reduce Poverty and Increase Food Security

In the medium term, reducing poverty and increasing food security will require many developing countries to expand agricultural production, improve farming productivity, and help to establish well-functioning domestic agricultural markets.²⁰ There are a number of issues still under negotiation in the Doha Round that will affect the ability of governments to achieve these goals and manage food price changes in the future.

Domestic subsidies, export subsidies, and food aid

The domestic and export subsidies provided by the United States, the European Union, and some other wealthy countries to their farmers have the effect of inducing greater supply than market prices would warrant and allowing excess production to be sold on world markets at prices below production costs. This has reduced global food prices over recent decades, which was seen as positive by some net food importing countries. However it has hurt farmers in developing countries who cannot compete with subsidized exports in global markets. For subsistence and small scale farmers, it has displaced or lowered prices for their output in their domestic markets, thereby driving them off the land or into poverty.

A similar effect is caused by in-kind food aid, which is the main form of food assistance provided by the United States. While most other wealthy countries have shifted to providing food aid by purchasing from farmers in countries targeted for assistance or in neighboring countries, the United States still does so by shipping its excess domestic supplies to destination countries, displacing production or depressing prices there.

Agricultural subsidies and in-kind food aid by wealthy countries have discouraged production and investment in developing country agriculture. The resulting shortfall has emerged starkly as global food demand has risen. Thus, while reducing these agricultural subsidies and constraining in-kind food aid will increase prices modestly in the short run, it is a necessary correction to global agricultural market distortions and an essential part of the Doha deal if developing countries are to build up their own agricultural sectors and increase food supply in the medium and long term.

Special products

Earlier in the Doha Round a framework agreement was reached to allow developing countries to shield some agricultural products, designated special products, from tariff reductions in order to address the livelihood security, food security, and rural development concerns that have been discussed above. Negotiations continue on how extensive these exceptions will be. A large group of developing countries known as the G33 has proposed that twenty percent of tariff lines should be subjected to lesser or no tariff cuts based on these considerations.²¹ The United States and some other countries have sought to sharply limit the number of eligible tariff lines and to require other constraints in the designation of special products.

The outcome will determine how much flexibility developing country governments will retain to provide adequate remuneration and some price continuity as a medium term incentive to their farmers to increase production. It will also influence the degree to which they will be able to shield poor farmers and rural communities from high levels of risk or periods of depressed prices that they are ill-prepared to absorb.

While the G33 has been outspoken throughout the negotiations about the need for this policy flexibility, the recent price volatility and supply shortfalls on global food markets have convinced some other developing countries that they need to consider ways to achieve greater domestic production in order to improve food security and reduce vulnerability to global markets. Many African countries in particular have the land and labor endowments needed to increase food production if they invest in irrigation, roads and other rural infrastructure and can induce farmers to invest and increase production. Even if they are able to mobilize resources for public investments, greater effort by farmers and more private investment will not be forthcoming unless governments retain the tariff flexibility to shield farmers, particularly small and vulnerable ones, from the worst of global market volatility and negative price shocks. A robust outcome on special products would be needed to leave sufficient policy tools in the hands of developing country governments.

As already discussed, the impact of food prices on poverty and income distribution varies widely among countries and for different agricultural crops within countries. As a result, the decisions on how to select special products must be left to developing country governments themselves. Efforts in the negotiations to severely limit the number of special products or to impose restrictions on their selection would undermine the ability of developing country governments to balance the needs of rural and urban poor while addressing food supply and longer term rural development concerns. Decisions on such fundamental issues must be left to governments that are accountable to their populations, not to negotiators seeking to maximize profits or increase market access for their own commercial farmers or to dispute settlement panels that have no accountability for poverty and development outcomes.

Special safeguard mechanism

Developing countries also seek a special safeguard mechanism that would permit them to raise tariffs in response to agricultural price drops or import surges. While the special products exceptions discussed above would provide some policy space for developing countries to address medium term food security and livelihood concerns and long term rural development strategies, a safeguard mechanism would still be needed to address

short term volatility in food markets. As noted, food prices have always been volatile and volatility is likely to increase due to climate change and increased use of commodities as investments and hedges. Small producers in developing countries are in no position to bear the risk of sharp price and supply swings.

The special safeguard mechanism must be easy to use, allow developing countries to respond swiftly to market disruptions, and be available for relatively small disruptions. In the simulations we performed of the impact of changing rice prices in India, a twenty-five percent decrease in rice prices imposes losses on poor households almost as large as a fifty percent decrease (Figure 5). A current proposal that would require import prices to fall by as much as thirty percent compared to the average price for the previous three years (the “trigger price”) before the safeguard mechanism could be employed would vitiate this important tool. Another current proposal would limit a responding tariff increase to one-half of the difference between the lower import price and the trigger price. The practical effect would be to require that half of global market disruptions be absorbed by poor farmers in affected countries. The proposal should be abandoned. Consideration must also be given to the situation of developing countries with low bound tariffs, which might need to raise them well above current bound levels to have an effect on import surges and negative price shocks.

Impact of tariff reductions on government budgets and income distribution

A more general issue in the Doha Round is the overall level of tariff reductions that will be required of developing country governments. This issue is relevant to agricultural production, food prices and poverty because in many developing countries tariffs account for a quarter, a third or more of total government income and thus determine the amount of resources available for public investment in the agricultural measures that have been so badly neglected in recent decades: rural roads, irrigation, extension services, research and development, etc. A recent study on Tanzania illustrates that government investment falls as a result of tariff reductions and thus constrains rural development strategies.²² Tariffs reductions may also skew benefits from trade toward wealthier households who are more inclined or better able to afford imported goods.

The Role of Bilateral and Regional Trade Negotiations

The global trading regime is established not only through multilateral negotiations and the WTO but also through multiple bilateral and regional trade agreements. These agreements have proliferated in recent years. They often involve highly asymmetrical bargaining power between the negotiating parties and may lead to terms that disproportionately favor producers and exporters in the wealthier, more powerful country.

This has been a particular concern in agreements in which the US has insisted on opening agricultural markets in developing country trade partners while insisting on maintaining its own agricultural subsidies and distortions. Examples include the US free trade agreement with Mexico, Central American and Andean countries. In the case of Mexico, the US has enjoyed a substantial surplus in agricultural trade with its southern neighbor despite the seeming comparative advantage that Mexico would hold and despite its need to improve livelihoods in rural areas.

Recently the European Union has also pursued bilateral and regional agreements with developing countries, most notably the African, Caribbean, and Pacific groups of countries. Many of the developing country partners have resisted terms that they believed would restrict their policy space for development. Although some interim agreements have been signed, these negotiations continue.

Conclusion

The policy tools needed to address the current food crisis cover a broad range. They include immediate assistance for the poor and hungry and dramatically increased investment in developing country agriculture by the international financial institutions, wealthy country development agencies, and developing country governments. Financial regulators should turn their attention to financial markets in agricultural commodities, which show signs of the speculation, mania, and overshooting that have resulted in ongoing crises in global finance and some housing markets. As painful and destructive as those crises have been, they pale by comparison with the threat of serious market failure in the case of food.

The policies implemented must be tailored to the specific conditions of a developing country. Short term policies should address the immediate binding constraints in each developing country. For example, in countries facing food insufficiency and/or unaffordably high food import bills, farmers should be supplied with seeds and fertilizer as a matter of urgency to increase production in the current season. Policy makers must then turn to the medium-term binding constraints, which will often involve major investments in agriculture.

Trade policy has an important role to play. The emphasis in trade negotiations has often been on exports, to allow developing countries that can compete on global food markets to have better access to wealthy countries. However trade policy has an arguably even more important role in establishing an environment under which developing countries can reverse the losses to agricultural production in recent decades. Trade policy must allow them to create adequate domestic incentives for increased food production, investment in productivity enhancements, stable and rising rural incomes, and targeted interventions on behalf of the poorest and most vulnerable farming households. Trade agreements that remove flexibility from the hands of governments prematurely or policies that lead them to rely on global food markets and not invest in their own agricultural sectors have proven to be shortsighted. In the case of the Doha Round, an agreement should be carefully constructed to ensure that in the future, developing countries will retain the policy tools, including adequate tariffs and safeguards, necessary to develop and provide appropriate incentives to their domestic agricultural sectors, to increase food security, and to shield the poor from market failures that can affect their very survival. Such an agreement would deserve the name of a development round.

Market Accessibility through Improved Inputs, Information and Infrastructure: A Proposal to Enable Small-Scale Farmers to Compete Globally and Contribute to Food, Economic and Political Security²³

By Mr. James C. Borel
Group Vice President
DuPont

The private sector is concerned about the current state of agriculture, rising inflation and the rapidly growing demand for, and limited quantities of, food in many areas around the world.

There is not one single cause or circumstance that is responsible for this difficult macroeconomic situation, but rather, it is a result of a complex confluence of political and economic factors set in motion over the past several decades.

Martin Luther King, Jr. once stated, “We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now. In this unfolding conundrum of life and history, there is such a thing as being too late.”

While tomorrow is here today, it is not too late. But changes must be implemented now to benefit the 854 million chronically malnourished people, nearly all of whom live in the developing world, to improve their quality of life and stop the 25,000 hunger-related deaths that occur each day.

The Economic and Social Council of the United Nations must be commended for its ongoing focus on the global food shortages, and for its continued interest in seeking sustainable solutions to improve global agriculture for the benefit of people everywhere. Its involvement of a broad spectrum of interested parties is critical to promoting productive dialogue and successful implementation of integrated solutions.

The members of the International Chamber of Commerce (ICC) stand ready to do their part. The ICC is especially grateful for the inclusion of the private sector in identifying mid- and longer-term solutions to improve market access for small-scale farmers, so they can participate in the global marketplace and benefit from the current boom in commodities prices.

As the 2008 World Bank Development Report identified, agriculture is the primary driver to abate hunger and reduce poverty. Throughout history, agricultural prosperity has been the prerequisite for every successful economy.

In the 2007 study, “Down to Earth,” World Bank economists, Luc Christiaensen and Lionel Demery wrote “Sound economic growth of the agricultural sector is at least twice as effective at reducing poverty as any other sector.” As proof, they point to the Asian manufacturing booms that only happened after the region’s farm sectors developed.

And the benefit of a strong agricultural economy doesn't end there. Throughout history, food security has had a direct impact on national and political security.

For these reasons, governments are acknowledging the need to develop their country's agricultural system after decades of declining investment.

That rebuilding will require resources that stimulate cooperation among stakeholders, and it cannot happen without national governments providing optimal policy environments or without significant financial resources from donors. Finally, it must have the involvement of local farmers, entrepreneurs, retailers, transport services, grain handlers, food processors and extension services.

The development of sustainable local, national, regional and global agricultural systems should be designed to avoid short-term fixes, which could actually undermine the livelihoods of local farmers and the economies of developing countries.

Market access is the key to helping small-scale farmers move out of poverty. Improving their access to markets can position subsistence farmers to help alleviate the current food challenge.

However, market access is irrelevant if farmers cannot produce enough food to first feed their families and then have excess for sale.

From seeds to fertilizers, farmers need access to quality inputs to increase their productivity and move past subsistence farming in a sustainable manner.

Advancements such as hybridized seed, biotechnology traits, crop protection products, fertilizers, irrigation systems and machinery have contributed greatly to increased food production and improved food quality. In 2008, developing countries should not be producing at 20 percent of the production of the developed world.

Many barriers exist, however, that prevent or limit access to these inputs. Examples include access to credit; regulatory constraints for improved seeds and chemicals; limited product and agronomic knowledge; and lack of secure land tenure. However, every one of these limitations can be overcome.

Lack of access to credit and risk management products, such as insurance, is a major obstacle for small-scale farmers in developing countries. They need lines of credit to invest in quality inputs and to purchase or lease land. Access to insurance programs can help reduce their vulnerability and increase incentives to invest. Many innovative pilot programs have had great success in spurring development.

In Malawi, an innovative program launched in 2005, helped groundnut farmers obtain certified seed, which resist disease, thereby increasing yields and profits. In addition, the National Smallholders Farmers Association of Malawi designed the index-based weather insurance contract. This program was a collaboration between several entities and ensures that if a drought leads to insufficient groundnut production, the bank pays the loans of insured farmers directly. If there is no drought, farmers benefit from selling the higher-value production. This is the first such instance of index-based weather insurance policies being sold to smallholder farmers in Africa. In 2003, a similar pilot was started in India, and has been expanded to more than 250,000 farmers.

These programs encourage investment and expanded development by providing much needed security to farmers. Programs like these need to be replicated and scaled up.

Having access to the best inputs is also critical. Modern technologies can accelerate the development of seeds that better tolerate drought and salinity; use nitrogen more efficiently; resist pests and diseases; and provide improved nutrition. Public and private researchers should collaborate to speed development of these technologies. And governments should pave the way for the introduction and accessibility of these technologies. The focus should be on providing farmers with a reliable and competitive choice of quality inputs so that they can prosper, not just survive.

Access to quality inputs is just part of the answer. Having access to quality extension services and agronomy programs, which are necessary to empower farmers to make product choices based on what they can see works in their own environment, are essential.

Access to quality inputs and agronomic advice changed the life of Debebe Ayele, a farmer in the Badwatch district of Ethiopia, and the lives of his two wives, 16 children and six adopted orphans.

In his own words he said, “Our population is increasing at an alarming rate and useable land is limited. My biggest concern was how to feed my large family, but things changed with the introduction of hybrid maize to our community.”

Using hybrid seed, Debebe could harvest twice per year from the same plot of land. He feeds his family, and has surplus grain for the market. He bought a television and radio to watch grain prices and hear agricultural news. He bought a mobile phone for better communication. He has contracted more land each year. And with his increased profits, he built a better grain storage facility. All of his children are able to attend school now — five are in private college. The standard of living for the entire Ayele family has improved.

Debebe’s example reaffirms that the next “green revolution” requires quality inputs and aggressive farmer education. We must empower small-scale farmers with modern technologies and knowledge.

In many countries, inadequate access to secure land tenure continues to be a disincentive for production. This is a particular issue for women, unfortunately. Farmers’ capacity to increase productivity is contingent on their access to secure land tenure. For instance, it provides collateral for capital to acquire inputs, mechanization and grain storage. It is also another source of stability.

If small-scale farmers have secure land tenure, access to credit to acquire improved inputs and knowledge of how to maximize those inputs, they increase the likelihood that they can feed their families and have excess to sell. This issue is not just about food production, it is about income generation.

Unfortunately, small-scale farmers still face the highest barriers in accessing markets. Their relative isolation puts them at a disadvantage. Information technologies such as cellular telephones and laptop computers can help reduce this isolation by limiting their reliance on middlemen to gain access to markets and information—especially prices.

Technology can also provide weather forecasts to better plan planting, as well as access agronomy information to diagnose and treat plant diseases and prevent crop losses.

To provide markets with predictable and consistent products, farmers need to minimize pre- and post-harvest losses, which currently can reduce agricultural output by up to 40 percent. These losses dramatically affect farmer incomes and their capacity to invest, which, in turn, diminishes the food supply and farmer profitability. Many technologies and management practices already exist that could greatly alleviate this situation.

Even changes to farming practices can provide solutions. For example, in India, mustard seeds have historically been planted in September and harvested in late December or early January. But often, up to 30 percent of the harvest was lost to frost. In response, plant breeders worked on a seed with a shorter maturation, which enabled farmers to harvest in early December, avoiding the frost.

These farmers not only avoided crop losses, they also benefited from better prices, as they were able to bring their seeds to the market before the usual glut occurred in January. The shorter cycle also allowed farmers to plant wheat in December, following the mustard harvest, and benefit from two crops instead of just one.

At the national level, investing in infrastructure improvements to remove physical constraints to market access is an essential first step. Currently, the infrastructure necessary to access markets, such as roads and storage facilities, are either not available or inadequate. There is a need to urgently invest in basic infrastructure to link farmers to markets.

The private sector can also be harnessed to circumvent infrastructure challenges. As an example, in Kenya, a large milk company reached out to small-scale producers whose lack of refrigeration and bottling facilities prevented them from selling on a larger market. Brookside Dairy, a national company, set up a network of depots and ‘bicycle boys’ who everyday collect milk from the small-scale producers to be sold through Brookside Dairy. This has given small-scale producers a new market and source of income, without requiring the inaccessible investment in infrastructure and machinery needed for refrigeration, bottling and transport.

Agriculture must be higher on our agenda in a world of increasing food demands and limited resources.

Agricultural-based markets have, on average, invested less than four percent of the agricultural gross domestic product on agriculture. The growing gap between agricultural demand and output is one of the key underlying challenges today. In that regard, increasing overall productivity and efficiency is essential, or the crisis will become chronic. It is not too late. We have the technologies and expertise to equip small-scale farmers with the resources to help themselves and society. And linking these producers with markets is crucial to paving a path out of poverty.

Intertwined in this holistic approach to increased productivity and income, are significant policy shifts. If access is to be a reality at the international level, the rapid and successful conclusion of the Doha Round is an essential step in addressing the current problems.

The private sector supports a free market — a market that gives small-scale farmers the ability to sell their products wherever the demand exists, and the ability to get the most value for their products.

The private sector appreciates the opportunity to outline suggestions to help small-scale farmers compete globally. Their success in this regard will contribute to food security and economic and political stability.

Notes

- 1 See http://www.fao.org/fileadmin/user_upload/foodclimate/HLCdocs/declaration-E.pdf
- 2 From the 2008 ECOSOC High-level Segment, 3 July 2008.
- 3 The other five priority areas are: Irrigation and Water Development, Transport Infrastructure Development, Integrated Rural Development, Energy Generation and Supply and Prevention and Management of Nutrition Disorders, HIV and AIDS.
- 4 From the 2008 ECOSOC High-level Segment, 3 July 2008.
- 5 Ibid.
- 6 Ibid.
- 7 E. R. Grilli and M. C. Yang, “Primary commodity prices, manufactured goods prices and the terms of trade of developing countries: what the long run shows,” *World Bank Economic Review*, Vol. 2, No. 1, 1988; International Monetary Fund, *World Economic Outlook 2006* (Washington, D.C. International Monetary Fund). Prices are deflated by the Manufactures Unit Value (MUV) index. Due to definitional changes, the Grilli and Yang index is not precisely comparable to the IMF index.
- 8 Loek Boonekamp, OECD Observer No. 267, Organisation for Economic Co-operation and Development, May-June 2008.
- 9 *World Development Report 2008: Agriculture for Development* (Washington, D.C.: World Bank, October 2007) available at: <http://econ.worldbank.org>.
- 10 Independent Evaluation Group of the World Bank, “World Bank Assistance to Agriculture in Sub-Saharan Africa” (Washington, D.C.: World Bank, 2007).
- 11 Discussed in *World Development Report 2008*, op.cit.
- 12 M. Ataman Aksoy and Aylin Isik-Dikmelik, “Are Low Food Prices Pro-Poor? Net Food Buyers and Sellers in Low Income Countries,” (Washington, D.C.: World Bank, forthcoming). Mimeo available from author. The countries covered in the study are Bangladesh, Bolivia, Cambodia, Ethiopia, Madagascar, Nicaragua, Peru, Vietnam, and Zambia.
- 13 Martin Ravallion, “Rural Welfare Effects of Food Price Changes under Induced Wage Responses: Theory and Evidence for Bangladesh,” *Oxford Economic Papers* 42 (Oxford: Oxford University Press, 1990); George A. Dyer, Steve Boucher, and J. Edward Taylor, “Subsistence Response to Market Shocks,” Working Paper 05-004, Department of Agricultural and Resource Economics (Davis: University of California, 2005).
- 14 Sandra Polaski, A. Ganesh-Kumar, Scott McDonald, Manoj Panda, and Sherman Robinson, *India’s Trade Policy Choices: Managing Diverse Challenges* (Washington, D.C.: Carnegie Endowment for International Peace, 2008) available at: www.carnegieendowment.org/trade.
- 15 Recent examples include Fan Zhai and Thomas Hertel, “Economic and Poverty Impacts of Price Distortions in China,” Global Trade Analysis Project, GTAP

- Resource #2706, June 2008, available at:
https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=2706; and
 "Food Prices and Inflation in Developing Asia: Is Poverty Reduction Coming to an End?," (Manila: Asian Development Bank, April 2008) available at:
<http://www.adb.org/Documents/reports/food-prices-inflation/default.asp>.
- 16 Fan Zhai and Thomas Hertel, op.cit.
 - 17 Thomas W. Hertel, Roman Keeney, Maros Ivanic, and L. Alan Winters, "Distributional Effects of WTO Agricultural Reforms in Rich and poor Countries," World Bank Policy Research Working Paper 4060 (Washington, D.C.: World Bank, November 2006) available at: <http://econ.worldbank.org>.
 - 18 See for example statements to the United Nations System Chief Executives Board for Coordination and to Japan regarding the agenda for the G8 meeting in July, available at: <http://web.worldbank.org>.
 - 19 Maurizio Bussolo, Rafael De Hoyos and Denis Medvedev, "Global Income Distribution and Poverty in the Absence of Agricultural Distortions", Global Trade Analysis Project, GTAP Resource #2690, June 2008, available at: <http://www.gtap.org>.
 - 20 A good summary of the issues and evidence on this point can be found in Jamie Morrison and Alexander Sarris, "Introduction" in *WTO rules for agriculture compatible with development*, ed. Jamie Morrison and Alexander Sarris. (Rome: Food and Agriculture Organization of the United Nations, 2007). Available at: <http://www.fao.org/docrep/009/a0913e/a0913e00.htm>.
 - 21 This position is proposed by a coalition of developing countries known as the G33, which has grown to include the following 46 countries: Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Rep. Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.
 - 22 Piero Conforti and Alexander Sarris, "Policy Response to a Commodity Price Boom under Structural Constraints. The case of Tanzania", Global Trade Analysis Project, GTAP Resource #2703, June 2008, available at: <http://www.gtap.org>.
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Chapter 6

EMERGING ISSUES AND CHALLENGES IN SUSTAINABLE DEVELOPMENT: BIOENERGY, SUSTAINABLE LIVELIHOODS AND RURAL POOR IN SUSTAINABLE DEVELOPMENT

Overview

Bioenergy has generated an enormous amount of interest and more recently, controversy in the context of rising energy costs and demand and increasing food prices, along with growing awareness and concern about climate change. Recent attention has focused in particular on liquid biofuels, which are mainly used for transportation. In theory, these biofuels have the potential to mitigate climate change by reducing greenhouse gas (GHG) emissions and enhancing the energy self-reliance of oil-importing countries.

Under certain circumstances, cultivation of feedstocks for liquid biofuels may benefit rural poor people and smallholder farmers by increasing access to energy, farm incomes, and rural employment and, thus, have the potential to contribute to poverty reduction and rural development. However, concerns have been raised regarding the actual impact to date of expanding cultivation of biofuel feedstocks, including the role this may have played in the sudden increase in food prices. There are calls for thoughtful reflection about safeguards related to biofuel production to ensure their contribution to climate change mitigation and avoid negative effects on food security, rural communities, and the environment.

The thematic roundtable discussion on “Bioenergy, sustainable livelihoods and the rural poor,” chaired by H.E. Mr. Anthony Severin, Permanent Secretary of the Ministry of External Affairs of St. Lucia, provided an opportunity to discuss the above issues. Moderated by Mr. Abdoulie Janneh, Executive Secretary of the Economic Commission for Africa, the meeting was informed by four presentations. Mr. Cheick Sidi Diarra, United Nations High Representative for OHRLSS/OSAA, served as lead discussant.

Mr. Alexander Mueller, Assistant Director-General, FAO, presented a global overview of the challenges faced by the world today in terms of population growth, hunger, natural resources and energy and the interlinkages among them.

Dr. Sonja Vermeulen, Programme Director, Business and Sustainable Development, International Institute for Environment and Development (IIED), focused on the way in which the production of modern biofuels, bioethanol and biodiesel, is affecting the access to land among poor people around the world and stressed the need for strong safeguards by Governments and innovative business models.

Mr. Lionel Lopez, Director, Technoserve (Guatemala), presented the lessons learned from the use of biodiesel for rural development in Guatemala and its contribution to increased livelihoods for the poor.

Ms. Suzanne Hunt, Biotechnology Expert and Independent Consultant, placed the reflection on biofuels in the broader context of a variety of energy options and of rural development policy choices.

Increasing Populations and Increasing Scarcity of Food, Natural Resources and Energy¹

By Mr. Alexander Mueller
Assistant Director
Food and Agriculture Organization of the United Nations

Introduction

Food security and energy security are closely interlinked. This presentation provides a global overview of the challenges faced by the world today in terms of population growth, hunger, natural resources and energy. Important questions include: what are the main drivers changing the global environment, and what does this mean for the production of bioenergy?

Population

Today there are about 6.5 billion people living on earth and this number will increase to 9.2 billion people by 2050. This means that an additional three billion people approximately will seek to have access to food and energy. It is important to note that since 2007, and for the first time in history, more people live in urban areas than in rural areas. This development has an impact on the way that food is produced. It is also important to understand that the additional three billion people will live in urban areas of developing countries, which is a challenge for the agriculture sector of these countries. For example, Ethiopia has a population of about 80 million people, which according to UN prospects is expected to increase to 180 million people by 2050. This will have great impact in terms of food production and energy supply. At the same time, population structure changes, with an increased adult and ageing population in many countries. As a consequence, demand for energy will much increase. An increasing population in urban areas as well as a rapidly changing population structure will, for the agricultural sector as a whole, be a major challenge for the decades to come.

Hunger in the World

The situation of hunger in the world has changed much over the past years. In 1961, the threshold of 2,500 kilocalories per person per day was not reached in many part of the world. In China or India, the energy requirement expressed in kilocalories has much increased over the last years. However, several countries remain below the threshold of 2,500 kilocalories, meaning that hunger continues to be a persistent problem in the world. In addition, due to changing consumption patterns, the average intake of calories from crops and animal origin has changed. Today, up to 700 grams of crops are needed to produce 100 grams of beef, which increases the pressure on agricultural production. Climate change and the need for bio energy exacerbate the problem.

Natural Resources

With an increasing population and a corresponding rise in food demand, some regions of the world are coming towards what is available in terms of water and land. In East Asia, South Asia, Near East and North Africa, most arable land is used and there is no additional land available for production. In Latin America, the Caribbean and sub-Saharan Africa, available land exists, including in protected areas, but all of this land may not have the potential to produce crops. The same holds true with water availability. In the Near East and North Africa, 50 to 60 percent of renewable water resources are withdrawn for irrigation purposes. In South Asia, the share of water resources used for irrigation is expected to increase in the next twenty years, adding pressure on already limited resources.

Energy

The production of energy also affects agriculture at the global level. Energy consumption and income are linked. It is estimated that there are five billion low-income people in countries with rapid economic growth rate. These people are increasingly looking for additional energy suppliers.

In 2004, the energy demand at the global level was 463 exajoules. According to the International Energy Agency, it will reach 850 exajoules by 2050. What will be the share of biomass and bio fuels in this context? Biomass as a whole today accounts for about ten percent of energy use. However, the modern forms of bio fuels, namely bio diesel and bio ethanol, account for three percent only of the global demand for liquid fuels for transportation and less than 0.5 percent of global energy demand. While increasing the share of it will not solve the energy problem as a whole, the potential for bio energy supply is strong, particularly in developing countries. In Africa, nearly 50 percent of all energy demand comes from biomass; about 30 percent in Asia and three percent only in OECD countries. In some developing countries, such as the Democratic Republic of the Congo and Tanzania, the use of biomass accounts for more than 90 percent of total primary energy supply. It is also recalled that 1.6 billion people today do not have access to electricity, particularly in rural areas of developing countries. Bio fuel and biomass can play an important role in that context. The challenge is to safeguard food security if there is a competition between the increased needs for food and for energy.

Analyzing the different stocks to be used for the production of bio fuels reveals a multiplicity of situations in the different regions of the world. Based on data from 2005 the following example demonstrates the different conditions of the production of biofuels: the production of bio fuel out of sugar cane in Brazil is competitive with an oil price of about \$30.00 per barrel. In Thailand, the production of bio fuel out of cassava is competitive with an oil price of \$40.00. In the United States, the production of bio fuel out of maize used to be competitive with an oil price of \$50, but due to the increased price of maize, is not any longer. Different forms of bio fuels can be produced at different costs for the world market. For example, the amount of maize used for the production of ethanol in 2007 was about 80 million tons and will increase to over 120 million tons by 2060. This has already contributed to increase the price of maize on the world market.

Conclusion

In order to feed three million additional people, the planet has to produce between 50 and 80 percent more food. This implies an increased demand for energy, including for bio energy that can help promote rural development in developing countries. The global energy demand needs to be scrutinized in order to ensure food and energy are both produced in a sustainable manner.

Biofuels and Poor People's Access to Land²

By Dr. Sonja Vermeulen
Director, Programme on Business and Sustainable Development
International Institute for Environment and Development (IIED),
representing the International Land Coalition

Introduction

The International Institute for Environment and Development, which is a member of the International Land Coalition, has carried out a wide portfolio of work on biofuels over the last years. This presentation focuses on the way in which the production of modern biofuels, bioethanol and biodiesel, is affecting access to land among poor people around the world. Its content is drawn from the report “Fuelling exclusion? The biofuels boom and poor people's access to land” by Lorenzo Cotula, Nat Dyer and Sonja Vermeulen which was released last month and co-published by IIED and FAO.

The main message of the paper is that for poor people to maintain or enhance access to land and natural resources in areas of biofuels feedstock production depends on two areas of action. First, governments need to provide and implement safeguards –safeguarding people's land tenure within the law, but also ensuring that other policies, such as the processes for approving foreign direct investment, benefit poor people. Second, businesses need to explore the range of promising business models that deliver security for their business activities along with benefits to local people. Large-scale plantations are not the only efficient means of biofuels production.

Biofuels and policy goals

Four main policy goals are pursued by Governments as far as biofuel development is concerned: national energy security, climate change abatement, export diversification and rural development. The latter is the most important one for many countries. For example in both Europe and the United States, the primary concern is the future of rural areas and defending the livelihoods of farmers. The critical issue is that modern biofuels are often incorrectly presented as being capable of solving the four policy goals at the same time. There are always trade-offs among these different goals. It is therefore crucial to look at how to most effectively utilize the rural development goal given its importance to so many governments.

What are the opportunities for modern biofuels in rural development? First, there are opportunities for better prices that will benefit farmers and lead to an agricultural renaissance around the world. There is the potential for more jobs in production and processing, as well as a number of broader development benefits such as local economic multipliers, local energy systems or infrastructure development. However, there are a number of threats. As crop prices increase, the value of land also increases. History demonstrates that as land becomes more valuable it tends to become more concentrated in the hands of wealthier land owners or larger corporations. Concomitant with that is a

loss of land and other resources, including water, forest products and fisheries, among the poor. Women are particularly vulnerable, because they tend not to have recognized ownership and strong tenure of their land. Such problems also affect more itinerant people and pastoralists. In order to minimize some of those threats, governments can put safeguards in place. To make the most of the opportunities, there are new approaches to business which include small scale farmers and poorer rural people.

Safeguards

The important point about safeguards is that governments take into account people's welfare when considering biofuel development. An important dimension is the principle of people's rights to make their own decisions over their land and to have freedom of choice as to what they will do with it. They are often prevented from exerting their rights over land use, and from maintaining the land uses they have grown accustomed to over many centuries.

One type of safeguard that Governments might wish to put in place is the protection of local food systems. In Southeast Asia, for example, as palm oil has become more widespread, some contrasting situations can be observed. In some cases, small holders have been asked to devote all of their land to palm oil production in order to be part of the system. In other situations, they have been allowed to keep as much land as they like for food production. Obviously, the second situation is far better and these kinds of choices should be protected.

Secondly, full local consultation and negotiation should be implemented as large scale biofuels become more prominent. This is often called "free prior and informed consent". The Government of Mozambique, for example, has a process for consultation with local communities that is clearly defined within the law.

Thirdly, one-off consultation and compensation are not sufficient. If necessary, there should be mechanisms along the way for appeal, for fair arbitration, and for periodic review of the situation at the local and national level. Much of the land under threat of being lost by poorer land users is defined as underutilised, marginal, idle or degraded. There should be very clear definitions of what is meant by these terms in order to make sure that people who practice subsistence farming and other land uses in those areas are not completely disenfranchised. This is also true for countries in which tenure depends on productive land use. To avoid abuse of that situation by large-scale developers, the definition of "productive use" should be clarified and defended on behalf of smaller land holders. Therein, it is important to improve access to the law. Strong legislation is not enough. Bigger land developers and small scale farmers do not have the same capacity to influence policy makers and to negotiate at the bargaining table. It is very important to support poorer people and to effectively use the existing legislation to protect them.

Finally, it is important to ensure a more integrated approach to standard-setting across the agricultural sector as a whole. This must include the international level in order to ensure that environmentally oriented standards apply to all crops.

Imaginative solutions

There are some very interesting business models for working with small farmers, communal and small scale private land holders, and rural residents. The objective is to involve them in the value chain, give them access to the higher value chains, particularly those that are export oriented, and share benefits by processing locally. The antiquated idea of implementing biofuel development by giving people one-off compensations must be replaced by a much more equitable, long-term, benefit-sharing arrangement for local residents and those seeking to make investments.

Alternatives and additions to large-scale commercial plantations include land-leases, land management agreements, outgrower schemes and joint equity models. None of these is perfect, but all provide ideas for improving equity and respecting the land rights of local people. For example, in Mali, land-lease arrangements allow farmers to lease their land to a collective land holding which they then use to produce *Jatropha*. This helps to eliminate scale-related problems of small production. Some small-scale farmers are also able to rent out their land at the going market rate, a popular trend amongst farmers in Australia who rent out their land rather than growing sugar cane themselves. In Brazil, some quite sophisticated models of this type are also emerging. Large-scale sugar cane producers rent land from small-scale farmers and then lease it back to them for nut production in the off-season. There are also positive examples of contract farming. In Brazil, the Government has put in place a mandatory program called the “social fuel seal” under which the processing industry must buy a certain percentage of its input or throughput from small-scale producers. Outgrower schemes, which are well known in other agricultural sectors, are just emerging in the biofuels industry. India has put in place a system in which small-scale farmers receive technical support and finance upfront and in return, agree to sell their final products. The most equitable models are actual joint-venture or joint-equity models. For example, in Malaysia, where palm oil has been produced for some years, communal land owners can enter a joint-equity arrangement with the palm oil company located on their land. This counts as a thirty percent finance equity share. Shares in the processing industry may also be an option, though biofuel processing is very expensive and requires investment of considerable amounts of upfront capital, while the operating costs down the line are less significant. There are interesting models where farmers own a smaller portion of those shares.

The role of governments

The role of governments is manifold. Governments provide policy frameworks not only on land per se, but also in terms of land use and energy. The provision of local services to the farmers also remains an important aspect, because agricultural extension is expected to become more important again as we move forward. Moreover, the provision of the right kind of financial incentives to favour the more imaginative business models, such as tax breaks, will also provide useful support. In some cases, the government could underwrite some of the more risky undertakings and provide the necessary kind of insurance for those smaller farmers who want to go into biofuels production. Other roles for government are standard-setting and brokerage between the private sector and smaller farmers, as well as between smaller and larger companies. Governments should also promote research and development, including international models of cooperation, and

develop technical exchanges such as those undertaken by Brazil with African and Caribbean countries.

Biodiesel for Rural Development: Lessons from Guatemala on How to Increase Livelihoods for the Poor³

By Mr. Lionel Lopez
Director
Technoserve, Guatemala

Introduction

This presentation focuses on the use of biodiesel and its impact on rural development, particularly on small farmers, in Guatemala. Technoserve is a not-for-profit organization based in Washington that takes action for rural development at the international level, modeling and implementing sustainable solutions for small-scale producers. The organization focuses on entrepreneurship, making its primary mission the implementation of sustainable business models based on an integrated approach and taking into account environmental and social considerations.

Jatropha – an efficient source of oil

Technoserve is now implementing the use of a crop called Jatropha on a bigger scale. There is evidence that Jatropha has a high oil-content of about 1,900 liters per hectare. It is also very robust and requires very little fertilization. One major concern is crop utilization in marginal areas, defined according to the principles of soil content as well as infertile areas where no other crops, especially food crops, can grow. Jatropha can be cultivated for biofuel and for its byproducts, creating new sources of income. Although not a panacea, it can substantially contribute to rural development worldwide, as exemplified by the experience of Technoserve in Guatemala. In this country, fossil fuel consumption totals a billion gallons per year, out of which approximately 366 million are diesel. Technoserve has administered a very specific screening process to select land suitable for biodiesel production. The first step is to identify the areas where nothing grows, namely marginal areas which are deforested, not protected and have a very low soil quality. According to these criteria, 620,000 hectares of land were identified as being potentially appropriate for biodiesel production. These areas were completely idle, unused and did not suffer from detrimental climate conditions or humidity. There was clearly enough of this land to allow production of biofuels without endangering any food stream or food concept.

Three areas of focus

Technoserve focuses on three pillars along the complete value chain. The value chain includes seed farming at the plantation, harvesting, oil extraction, the refinery process and finally commercialization.

The first pillar concerns the identification of the business models that work for small producers. For example, Technoserve runs projects that combine biofuels and fisheries, particularly tilapia, yielding a reduction in the operating costs of tilapia production.

The second pillar regards the fundamentals of crops and their fertilization, as well as the fundamentals of the small-scale industrial process. These fundamentals help to understand the quality levels necessary to be able to compete on the market. For that purpose, Technoserve has compiled a very broad range of institutions involved in research and development in agriculture. Such institutions include universities, as well as specific projects focused on research and technology that cover both the agricultural and industrial dimensions simultaneously.

The third pillar relates to the work of large-scale investors. The key here is to open the channels between small producers and investors to ensure a win-win situation. Interesting approaches have been developed, including equity investments on both sides, and land rental agreements.

Technoserve runs experimental fields with two *Jatropha* variants, including one that has been growing in Guatemala for 200 years or more. Studies are being done on fertilization and density of growth in order to obtain a scientific opinion and avoid speculation. This experimental work is carried out at the community level in the South of Guatemala, where the soil tends to become very poor and cannot be used for other cultures.

Biofuel production and sustainable development

Although biofuel has its risks, it can contribute substantially to the development of a country. Specific investigations have been conducted to address the conflict between corn farming and biofuels at the community level. These studies reveal that generally, all small farmers have marginal lands even if it is just one hectare or less. Biofuel production can be very profitable if it is done using these marginal lands and not mainstream areas. While there is potential for growth, environmental protection should constantly be taken into account and a gradual implementation process should be selected.

In the areas where we are working in Guatemala, it is estimated that out of the 3 hectares that constitute an average farm, 55 per cent or 1.7 hectares is used for corn production and some other crops depending on the season. 35 per cent of the land is normally unused because the soil has degraded over the last 20 years and there are no resources to renew it. About 10 per cent of the soil is used for other purposes, including cattle. When you come up with an economic model, the net profit on corn is US\$ 580 dollars a year, factoring price increases, such as fertilizers. Even with additional activities, people cannot get out of poverty with that income. If corn production is combined with one hectare of *Jatropha*, benefits increase by an additional US\$ 1,265 dollars a year. Since fertilizers can be developed from the remains of the *Jatropha* plant, there is less wastage. As a result, the income of the average six or seven person family in that region more than doubles.

Marginal lands, which in the above case are 35 per cent of the total soil available, can be used to significantly supplement the income of small farmers. However, because this is not enough to lead to economies of scale, Technoserve is now working on clusters of production in vegetable oil, where groups of producers provide one hectare each and share the byproducts of the plant. A business model is needed that allows the community of producers to make effective economies of scale and capture the extraction margin. Such a model would facilitate a sense of community through joint ownership without

jeopardizing the food chain. Given the availability of technologies for this type of enterprise, an organization of about 200 producers is required. Accumulating this number of producers is feasible given the practice of the coffee sector or some other industries that have been operating in these regions for many years.

Involving these communities of farmers in the production of biodiesel itself would further increase their margins and lift their incomes. Technoserve is currently engaged in this process and believes that a lot is to be gained if it is done properly.

Combined production systems – higher gains

There are several dimensions to the use of biodiesel, including combining it with other systems such as the production of tilapia. The water of tilapia tanks can irrigate the *Jatropha* fields out of which oil is extracted. In turn, this oil can be used to power the equipment that again extracts water to fill the tanks. A closed-loop system can therefore be established, with very interesting results from a business-modeling point of view. Technoserve is implementing a program under which a private partner has equally invested in both systems, the production of vegetable oil and tilapia, with equal investment and number of shares held by the small scale producers. As the technical equipment needed runs on straight vegetable oil, there is no need to use biodiesel for these purposes.

Conclusion

From a policy-making perspective, it is advised to define and map, in detail, where the marginal lands are located. Then, incentives for vegetable oil development should be organized in a cluster-based manner. Environmental concerns should be carefully taken into account, particularly for the transformation process of vegetable oils into biofuels. A sustainable model that favors large scale clusters, including the dry washing process, seed production and commercial distribution, should be designed and implemented. The added value of by-products, such as organic fertilizers that can be derived from this process, should be kept in mind as they can greatly benefit small-scale producers. Finally, it is important to enforce adapted and clear regulation and taxation as this nascent industry can quickly be stopped if the wrong incentives are at work.

Energy, Agriculture and Food Crisis – Strategies for Interdependent Problems⁴

By Ms. Suzanne Hunt,
Bioenergy Expert, Independent Consultant

Any reflection on biofuels needs to be placed in the broader context of a variety of energy options. Using the wedge analysis, one can say that biofuel is a sub wedge of the major challenge that is green-house gas emissions. At the same time, biofuel is a subset of bioenergy, which encompasses a significant number of energy sources in the world and the primary energy source for some African countries. It is of utmost importance that governments use biomass efficiently, particularly in countries where it is the primary source of energy. An inefficient use of biomass has prevailed until now, with health, environmental and other negative impacts. Accordingly, governments should manage biomass resource better, in part by replanting trees, and move towards more modern sources of bioenergy. In addition to being cleaner, bioenergies have the advantage of being more accessible to people in hard to reach areas of developing countries.

Risings costs of energy extraction

The discussion of biofuels takes place as oil prices continue to rise and it becomes more difficult to procure. As a matter of fact, hydrocarbons are abundant, but they are difficult to access and very energy intensive to process into usable fuels. An increased amount of energy is needed to extract these hydrocarbons, decreasing the overall availability of energy. The main factors causing tension over the difficulty accessing fossil fuel sources are population growth, massive urbanization and the need for increased food production. In addition, constrains on carbon emissions due to fossil fuels reflect back on biomass and biofuels.

In this context, the question remains of how to implement the appropriate safeguards and where to direct investments. Clean technology investment funds are willing to invest in clean and renewable energy and in low-carbon technologies. However, they have difficulties finding big enough investment projects. With a lot of potential profit available from the transition to cleaner technologies, proper thought should be given in order to ensure that the poor benefit from this process, have access to these new technologies, and even produce some of these products.

Energy and agriculture

Another important aspect is that our energy and our agriculture challenges are inherently intertwined, and closely connected to our national security. There is broad agreement today that the increase in oil prices had a large impact on increased food prices. Because our food system is highly dependent on oil, the crisis we are going through is a result of this dependency rather than a food security problem per se. Therefore, much emphasis should be placed on investment in agriculture that is not petrol-dependent. Therein, new ways of isolating carbon in the soil should be found in order to produce more food on less land.

According to the Intergovernmental Panel on Climate Change, the agricultural sector produces, directly or indirectly, about a third of global greenhouse gas emissions. Agriculture-related activities constitute about 14 per cent of total emissions, and deforestation, which is largely attributed to the expansion of agriculture, also contributes to the emissions. The agricultural sector should therefore be considered problematic for our climate system, but also as a huge opportunity for action, given the lack of responsibility it has assumed for greenhouse gas emissions until recently. Agriculture sits on two huge carbon sinks, soil and biomass. Producing food and isolating carbon should therefore be viewed as interconnected.

While excellent examples of small scale action are well-known, the key challenge is to act on a large scale in a sustainable way. In the fields of public policy related to biofuels, new technologies and food stock, scale is essential. Policies should also be structured according to objectives, particularly the overall goals of poverty alleviation and job creation.

Safeguards and land use

Biofuels-related policies should be performance-based. The California low-carbon fuel standard is a good model based on the establishment of an efficient transport system emitting fewer greenhouse gases. The objective of this model is the efficient transport of people, not the use of biofuels or electric cars per se. Putting sustainability safeguards in place from the very beginning is also an important aspect for efficient public policy. Finally, developing biofuels refers to the issue of land use and to its social and environmental implications. Managing land use, including mapping efforts, is key in order to properly assess and adapt land policies.

Notes

- 1 From the 2008 ECOSOC High-level Segment, 3 July 2008.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.

Chapter 7

THE ROLE OF ECOSYSTEM SERVICES IN SUSTAINABLE DEVELOPMENT

Overview

The Millennium Ecosystem Assessment had reported in 2005 that humans have over the last fifty years changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet the rapidly growing demand for food, fresh water, timber, fibre and fuel. The changes that have been made to ecosystems have contributed to substantial net gains in human well-being and economic development, but these gains have been achieved at growing costs in the form of the degradation of many ecosystem services, increased risks of nonlinear changes, and the exacerbation of poverty for some groups of people.

According to the Millennium Ecosystem Assessment, approximately 60 per cent of the ecosystem services evaluated in the assessment are being degraded or used unsustainably. During the last decades, 20 per cent of the world's coral reefs were lost, 35 per cent of mangrove area has been lost and the withdrawal from rivers and lakes doubled since 1960. Moreover, 25 per cent of the commercially exploited marine fish stocks are over harvested and 10 to 30 per cent of mammal, bird and amphibian species are currently threatened with extinction. This has resulted in a growing concern worldwide about the destruction and degradation of natural ecosystems and the related loss of biodiversity.

Ecosystems provide direct services, such as food and water, regulate climate, support nutrient cycles and crop pollination, provide spiritual and recreational benefits and preserve diversity. In the short term, it is the world's poor that depend most heavily on these ecosystem services but it must be emphasized that in the long run, all of humanity depend on these ecosystem services for their survival and well-being. Maintaining healthy ecosystems is therefore not only essential in order to ensure environmental sustainability, but also to ensure continued human development. It is against this backdrop that at its 2008 Annual Ministerial Review, the Economic and Social Council examined the role of ecosystem services in sustainable development and explored the role of economic valuation and incentives for ecosystem conservation and sustainable use.

Following opening remarks by the chair, Mr. Jean-Marc Hoscheit, Vice-President of the United Nations Economic and Social Council, the moderator, Mr. Achim Steiner, Executive Director, United Nations Environment Programme (UNEP) observed that while in the past, ecosystem services had been treated as an infinite resource, over the past twenty years it has been increasingly recognized that they are finite and that there is a link between ecosystem services and human development. By undertaking the first comprehensive assessment of the links between ecosystems services and human well-being, the landmark Millennium Ecosystem Assessment Report (MA) has demonstrated that ecosystem conservation makes economic sense. He also noted that the report revealed the need to rethink the three pillar concept of sustainable development as it

becomes clear that the sustainable use of ecosystems is a precondition for long term economic and social development and hence needed to be addressed as crosscutting when designing sectoral policies. He invited the panel to give an overview of the evolution of the concept as well as accounts of how countries have successfully mainstreamed the conservation and/or sustainable use of ecosystem services in their national policies, relying on a mix of regulatory instruments and economic incentives, including the use of pro-equity payment for ecosystem services.

Mr. Ahmed Djoghlaif, Executive Secretary-Convention on Biological Diversity (CBD), noted that natural disasters, climate change, the food crisis and the surge in fuel prices, which the United Nations Secretary-General recently identified as top priority issues, were all closely linked to biodiversity. With a rate of biodiversity loss estimated to be up to one hundred times the natural extinction rate, he stressed the urgent need to make headway towards the goal to significantly reducing the loss of biodiversity by 2010. Briefing delegates about several recent measures, he said that Germany, with the support of the European Commission, commissioned “the Economics of Ecosystem and Biodiversity” study to undertake a comprehensive economic valuation of global ecosystem services. He also noted that the Parties of the Convention of Biological Diversity (CBD), two years ago in Curitiba, Brazil, took a decision on the application of valuation tools and that in June 2008 the Parties decided to put more emphasis on further studies on payments for ecosystem services at the local, regional and international levels. He also highlighted that in partnership with France and Germany, a major initiative was launched on biodiversity for development and poverty alleviation. He also said that he hoped that ECOSOC would make a contribution to the 2010 International Year of Biodiversity celebrations, through the 2010 Development Cooperation Forum.

Mr. Hillary Masundire, Chair, Commission on Ecosystem Management, World Conservation Union (IUCN), started his presentation with defining the ecosystem approach as a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way. He said that sustainable development should no longer be approached through the lens of the three pillar strategy but instead it should be realized that environmental sustainability is a precondition, without which economic and social progress cannot be sustained in the long run. He stressed that there was an urgent need to mainstream the ecosystem approach. Citing integrated water resources management as a successful example for an ecosystem approach he said that a more extensive application of the ecosystem approach across different sectorial policies is needed.

Ms. Anna Tibaijuka, Executive Director, United Nations Human Settlements Programme (UN-HABITAT), said that as today the majority of the world’s population is located in urban areas, the ecological footprint of cities is continuously growing. However, technology and innovation can help cities to become sustainable. She called upon the international community to move away from current chaotic urbanization to sustainable urbanization. She stressed that the role of communities and authorities is very important for this transformation to happen, as well as proper land tenure and property. She said that future cities should be based on the principle of human ecology, which takes into consideration both the needs of humans and the environment.

Mr. Magnus Ngoile, Director General, National Environment Management Council, Tanzania, focused on the role of ecosystem in providing services to coastal states in Sub-Saharan Africa. At the moment, the ecosystem services are undervalued and therefore overexploited. Today, of the 7.8 million tones of fish estimated to be potential in Sub-Saharan coastal waters only 3.7 million tones are harvested by the African coastal states, the rest being harvested by distant water fishing fleet. To address this issue, he suggested that, at the international level, the African Union should put the issue of payment for ecosystem services on its agenda. He also suggested that communities should be allowed to formulate their own vision of sustainable development, striking the balance between societal needs and ecosystem services, which should form the basis for national, regional and global supportive action. He further called for putting into place sustainable financing mechanisms that are supported by national policies and legal policies as well as the international community and in this regard cited Tanzania's marine legacy fund and the Eastern Arc Mountains Conservation Endowment Fund.

Mr. Jorge Mario Rodriguez, Director, National Forestry Financing Fund, Costa Rica, stated that effective legislation and accompanying measures not only helped Costa Rica reverse the deforestation process over the past 25 years, but also resulted in related benefits such as protection of biological diversity, protection of watersheds, protection of the soil and reduction in CO2 emissions. The programme on Payment of Environmental Services (PES) has played a major role in the protection and maintenance of the natural forests. The PES programme in Costa Rica is based on four dimensions: institutional, financing, policy base and monetary evaluation, which provide transparency, a clear definition on who pays for and who receives the benefits of ecosystem services. The active engagement of farmers has helped to promote rural development and the sustainable management of forests. The introduction of PES has therefore helped not only in achieving MDG 7 but also in achieving other MDGs. He said that the example of Costa Rica demonstrated that the PES should be seen as an investment not an expense in the national budget.

Mr. Dane Gobin, Director General, Iwokrama International Centre for Rainforest Conservation and Development, Guyana, presented the Iwokrama project, which aims to promote the conservation and sustainable and equitable use of tropical rain forests in a manner that will lead to lasting ecological, economic and social benefits. Mr. Gobin described how the sustainable use of the forest, as well as new activities, such as ecotourism, have helped to increase local income while at the same time ensuring that ecosystem services are not degraded. He described the two-step approach of first identification and valuation of ecosystem services and, second, a commercialization and market development to demonstrate that you can use a forest without losing its ecosystem services.

The Ecosystem Framework as Part of the Sustainable Development Discourse¹

By Mr. Achim Steiner
Under-Secretary-General and Executive Director
United Nations Environment Programme (UNEP)

We have, in recent years, had a very interesting evolution in the debate about natural resources, environment and the way we use or abuse these nature-based assets. This evolution comes under the theme of the ecosystem framework.

Some people might be tempted to say that it is just another descriptive phrase that takes us no further than the 1992 Earth Summit in Rio where discussions around conservation and environmental economics led in part to the birth of the Convention on Biological Diversity.

But there is a different quality that has emerged in the discussions surrounding ecosystem—captured in many ways by reports such as the UN's Millennium Ecosystem Assessment (MA).

The Assessment tried to establish a far more immediate linkage between the science and the empirical evidence assembled over the last fifty years about the state of the planet's ecosystems, the state of natural resources, the state of biodiversity and its implications on societies and on economies.

In doing so it has accelerated the emergence of the ecosystem services framework as a truly important concept and approach: not least in terms of the discussion around sustainable development and the Millennium Development Goals (MDGs).

The ecosystem services approach is an attempt to try to capture the dynamics of what is happening in the natural environment with its consequences in the social and economic sphere and vice versa.

The Assessment found that there are a number of ecosystem services which the natural environment freely provides to us as human beings—such as clean air, the productivity of soils, the capacity of nature to absorb toxics or of wetlands to clean water.

These are services which in our daily lives we have assumed are 'a given'. Yet the history of the last 100 years has been a successive process of discovery: not only are these services not necessarily infinite, but based on the way our economies operate in agriculture or in industry humanity can assist in maintaining the viability of these services or can work rather effectively towards running them down.

The most revealing part of the Assessment was that close to sixty per cent of this suite of services that we derive from the functioning of the ecosystems have reached, at the beginning of the twenty first century, a crucial point.

This is a point where they are either at maximum utilization or indeed are declining in their productive capacity or their ability to provide these services. In other words they

are being overexploited, overused and mined to the point at which we are ultimately undermining their ability to sustain life.

In the area of biodiversity, the Conference of the Parties to the biological diversity convention was recently convened in Germany. The focus was on the role of biodiversity as a critical foundation for functioning systems and a growing understanding that it is part of the totality of an economically and socially productive ecosystem.

Towards 2010, when the biological diversity convention reconvenes in Japan, there is likely to be a considerable effort within the international community but also within the private sector, to look with new eyes at biodiversity.

In part because of its critical relationship with climate change, but also because new markets and new industries are emerging based on the genetics but also the biological processes that plants, animals and other life forms have evolved over millions of years to conserve energy up to new kinds of novel materials and potential medicines.

There is hope that, in particular in the context of ECOSOC the concept of ecosystems, ecosystem services, ecosystem management and the economics of investing in resilience and the functioning of our life supporting ecosystems will become much more central.

That in implementing strategies to meet the Millennium Development Goals (MDGs), an ecosystem framework becomes a far more normal and natural part of the sustainable development discourse and delivery rather than something exotic.

We have spent many years trying to understand the triangle of Rio de Janeiro and how each of these – economic, social and environmental – fit in sustainable development.

Perhaps the ecosystem services concept is the most interesting articulation, yet it is also a challenging one - challenging because it asks of us to rethink that triangle in terms of where the future approach of managing and investing in sustainability and development lies. Challenging also because it asks us to see the natural system as the foundational base for sustainability: one that in large part will rise or fall on the intelligent management of economic and social activities within the broader natural system in which we all live.

The Role of Ecosystem Services in Sustainable Development²

By Mr. Ahmed Djoghlaif
Executive Secretary
Convention on Biological Diversity

At his meeting with Their Majesties Emperor Akihito and Empress Michiko in Tokyo, the United Nations Secretary-General stated that: “Natural disasters, climate change, the food crisis and the surge in fuel prices are the top priority issues faced by the United Nations.” All these four priority challenges are deeply rooted in the unprecedented loss of biodiversity. According to the Imperial Household Agency of Japan, the Emperor stated that, “it is important for the general public to be fully aware of climate change”. Indeed, meeting the planetary challenges of the unprecedented loss of biodiversity in a warmer and increasingly urbanized planet calls for the active engagement of all the citizens of the world. It also requires a paradigm shift in the relation with Mother Nature, as well as societal changes of a structural and systemic nature.

Never, since human beings first appeared on Earth, has anthropogenic change to our planet’s natural functioning been so destructive as it has been over the last half-century, resulting in an unparalleled loss of biodiversity on Earth. The current rates of biodiversity loss are estimated to be up to 100 times the natural extinction rate. Some 60 per cent of ecosystem services are being degraded as a result of human activity. Pressure from human activities on the natural functioning of the planet has reached such a level that the ability of ecosystems to meet the needs of future generations is now seriously—perhaps irreversibly—jeopardized.

The unfolding global food crisis is unprecedented in nature. The price of basic staples - wheat, corn, rice - is at record highs, and global food stocks are at historical lows. It has been estimated that an increase of 1 per cent in the cost of food results in more than 16 million “newly hungry” people. By 2025, more than 1.2 billion people may be affected, in particular in Africa. By 2050, the world will have to feed a population of 9 billion which is 50 per cent more than today. The urban population in Africa alone will triple in less than two decades. Two thirds of humanity will be living in cities rather than in rural areas, and 150 growing cities will soon reach the size of New York. The global food crisis is not a cyclical one. It is of a structural nature.

The era of cheap food is over, and the era of perceived unlimited and infinite natural resources is also over. This also applies to fossil fuels and other vital and non renewable natural resources. Of the 13 emergency humanitarian appeals launched last year by the United Nations Office for the Coordination of Humanitarian Affairs, 12 were related to climate-related events. Deforestation is contributing to 20 per cent of CO₂ emissions. Every minute, 20 hectares of forests are disappearing. At least 4.4 million trees are cut down every day.

More than 80 per cent of biodiversity is found in tropical forests. According to the Intergovernmental Panel on Climate Change (IPCC), up to 30 per cent of all known species may disappear before the end of this century owing to climate change. Victim of climate change, biodiversity is also of part of any effective response to the challenge of climate change.

The Secretary General has made climate change one of his highest priorities and reminded the international community on the occasion of the International Day for Biological Diversity, celebrated under the theme “Climate change and biodiversity”, that “[t]he conservation and sustainable use of biodiversity is an essential element of any strategy to adapt to climate change”. Biodiversity is therefore crucial in achieving sustainable development.

It is for this reason that in Johannesburg at the World Summit on Sustainable Development, the leaders of the world agreed to reduce substantially the rate of loss of biodiversity by 2010. It is also for this reason, as a follow-up of the World Review Summit of the Millennium Development Goals, the Johannesburg 2010 biodiversity target has been integrated at the initiative of the Secretary-General into Goal 7 of the Millennium Development Goals.

As stated recently by Prime Minister Yasuo Fukuda of Japan, “It is important for each country to address sincerely what they are able to do and what they should do toward the achievement of the biodiversity 2010 target and additional targets, by collaborating with other countries, international organizations, non-governmental organizations and so forth. Japan is determined, in Asia and in the international community, to actively contribute to such activities and make further efforts toward the conservation and sustainable use of biodiversity as the host of the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity.”

Last month, at the ninth meeting of the Conference of the Parties to the Convention on Biodiversity, 5,000 participants endorsed the offer of Japan to host the Nagoya Biodiversity Summit in October 2010. Next week, at the Lake Toya in Hokkaido, at the initiative of Japan, the G8 leaders will have biodiversity as priority item on their agenda, together with climate change. The Kobe Call for Action for Biodiversity adopted on 26 May 2008 by the G8 ministers of the environment is a major contribution to achieving the 2010 biodiversity targets and the related Millennium Development Goals. At the Heiligendamm Summit, thanks to the leadership of Germany, biodiversity was included for the first time since the first summit in Rambouillet, as distinct section of the G8 Declaration.

Achieving the Kobe Call for Action on Biodiversity is essential for the success of the Nagoya Biodiversity Summit. Its implementation calls for strength of purpose, with a sense of leadership. Inspired and guided by the people and the Government of its host, Germany, 191 Parties and their partners attending the May meeting of the Conference of the Parties to the Convention, under the motto “One Nature, One World: Our Future”, demonstrated leadership in adopting the Bonn Biodiversity Compact, including the Bonn mandate for the international regime on access to genetic resources and the equitable sharing of the benefits arising from their utilization.

The implementation of the Bonn mandate calls for a sense of purpose by the United Nations and its relevant organs. In the coming months we will be working ever more closely with partners in the United Nations system as we gear up for the celebration of 2010 - the International Year of Biodiversity. The Conference of the Parties has called for a special high-level event on the eve of the sixty-fifth session of the United Nations General Assembly in 2010. This will be preceded by a number of events, including a Summit on Women and Biodiversity, the billion-signatures campaign, the Green Wave initiative to encourage to every school to plant a tree, meeting of parliamentarians among others, which we hope will feed into and be integrated into the United Nations processes.

The year 2010 will be historic in many ways. At the tenth meeting of the Conference of the Parties in Nagoya, it is expected that we will be adopting not only targets for the reduction of the rate of biodiversity loss beyond 2010 but also landmark international regimes on access to genetic resources and the fair and equitable sharing of the benefits from their use, as well as on liability and redress under the Cartagena Protocol on Biosafety. The Stern-like report on the economic valuation of biodiversity being prepared Mr. Pavan Sukhdev would also become available at that time.

The Economic and Social Council has a key role to play in adding value to the work of functional commissions such as the Commission on Sustainable Development. It is also a unique forum for dialogue with the Bretton Woods institutions, the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and on development cooperation issues through the launching of the Development Cooperation Forum this year, to play this additional function in the commemoration of the International Year of Biodiversity by holding a special event or having a special focus on a theme such as biodiversity for development/achievement of the Millennium Development Goals, in both the Annual Ministerial Review and the Development Cooperation Forum. We will only be able to achieve the Millennium Development Goals if we consciously seek to break out of our silo approach to sustainable development and attempt such integrated perspectives. We must demonstrate a sense of purpose to address the threat of biodiversity loss and to ensure that we manage this planet for the benefit of all people, all peoples, and all life on Earth.

In my capacity as the Executive Secretary of the Convention on Biological Diversity, I look forward to working with all and your secretariat to ensure that your meeting in July 2010 on the occasion of the International Year of Biodiversity will make its distinct contribution for the success of the Nagoya biodiversity vision for the benefit of all people and all life on Earth.

As Gro Harlem Brundtland said, "The time for diagnosis is over and the time for action is now".

The Ecosystem Approach to Sustainable Development³

By Mr. Hillary M. Masundire
Chair
IUCN Commission on Ecosystem Management
University of Botswana

Introduction

Humanity has always depended on the services provided by the biosphere and its ecosystems. The Millennium Ecosystem Assessment (MA) project re-emphasized this concept and reiterated the close link between human well-being and the availability of requisite ecosystem services (MA 2005).

Box 1 - Key Definitions

Ecosystem - An ecosystem is a dynamic complex of plant, animal, and microorganism communities and the non-living environment interacting as a functional unit. Humans are an integral part of ecosystems. Ecosystems vary enormously in size; a temporary pond in a tree hollow and an ocean basin can both be ecosystems.

Ecosystem services - Ecosystem services are the benefits people obtain from ecosystems. These include **provisioning** services such as food and water; **regulating** services such as regulation of floods, drought, land degradation, and disease; **supporting** services such as soil formation and nutrient cycling; and **cultural** services such as recreational, spiritual, religious and other nonmaterial benefits.

Well-being - Human well-being has multiple constituents, including basic material for a good life, freedom and choice, health, good social relations, and security. Wellbeing is at the opposite end of a continuum from poverty, which has been defined as a “pronounced deprivation in well-being.” The constituents of well-being, as experienced and perceived by people, are situation-dependent, reflecting local geography, culture, and ecological circumstances.

[Source: Millennium Ecosystem Assessment – www.maweb.org]

Sustainable Development

The World Commission on Environment and Development presented its 1987 report, Our Common Future, in which sustainable development was defined as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” This must be development that ensures that whatever changes are

made in the name of development should not compromise the ability of the ecosystems to provide the services that benefit humanity. Three aspects are recognized. (See Box 2)

Box 2. Three aspects of Sustainable Development

Economic - An economically sustainable system must be able to produce goods and services on a continuing basis, to maintain manageable levels of government and external debt, and to avoid extreme sectoral imbalances which damage agricultural or industrial production.

Environmental - An environmentally sustainable system must maintain a stable resource base, avoiding over-exploitation of renewable resource systems or environmental sink functions, and depleting non-renewable resources only to the extent that investment is made in adequate substitutes. This includes maintenance of biodiversity, atmospheric stability, and other ecosystem functions not ordinarily classed as economic resources.

Social - A socially sustainable system must achieve distributional equity, adequate provision of social services including health and education, gender equity, and political accountability and participation.

[Source: G-DAE Working Paper No. 00-04: “Basic Principles of Sustainable Development” by Jonathan Harris (2000)]

Models of sustainable development

Based on the fore-going, a commonly accepted model for sustainable development is the one shown below. It is expected that when the three components of sustainable development are receiving “equal” attention, then sustainability will be achieved (left). However, the real situation in most cases seems to be that while the economic and social concerns receive a great deal of attention, the environmental sector receives proportionately much less (right).

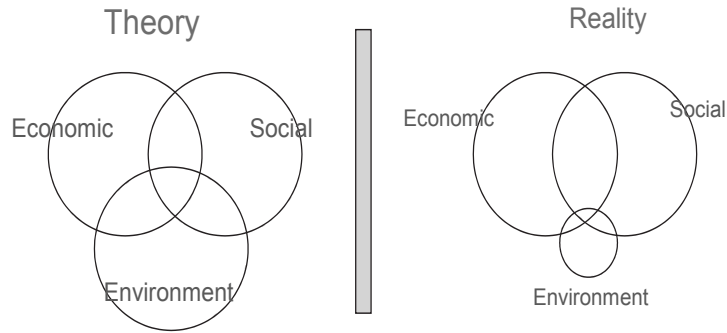


Fig 1. Model of Sustainability (left) and Unsustainability (right).

In order to, hopefully, achieve sustainability; much thinking has focused on “growing” the environmental sector to equal the economic and social sectors. Because both the economic and social needs depend on what services the environment can provide, the “correct” model of sustainability should be as shown below.

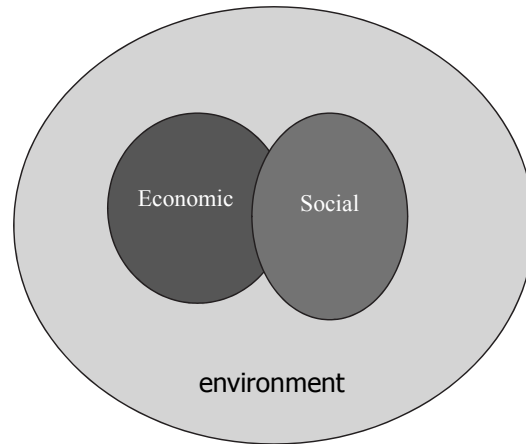


Fig 2. “Correct” Model of Sustainability

This model ought to communicate that sustainability really depends on the environment (ecosystems) to supply the services that drive economies and sustain human livelihoods.

The Ecosystem Approach

The ecosystem approach was endorsed by parties to the UN Convention Biological Diversity (CBD) in 2000. It is described as a strategy for integrated management of land, water and living resources [*ecosystems*] that promotes conservation, sustainable use and equitable sharing of benefits.

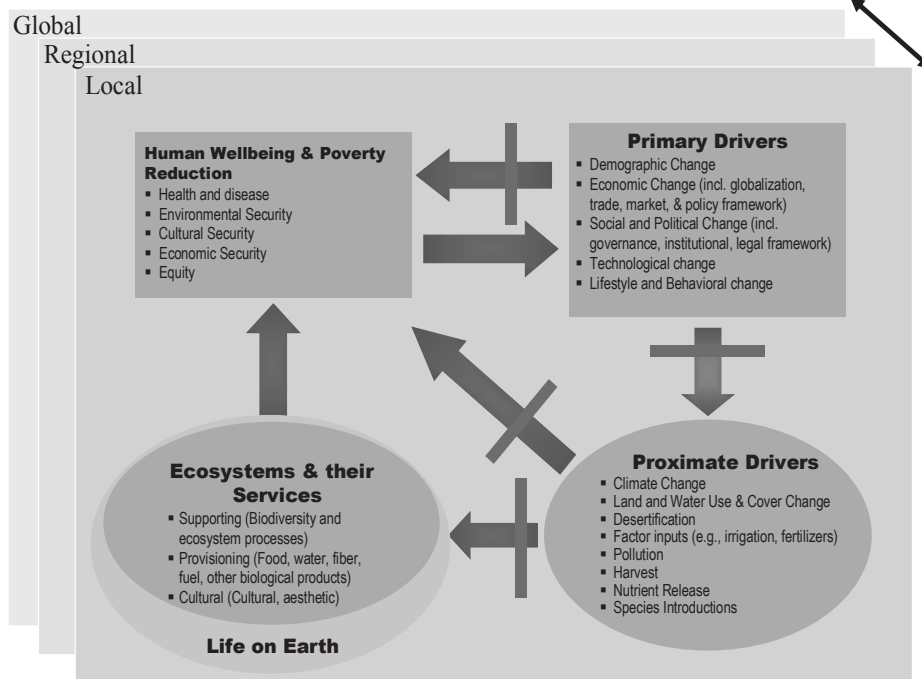
Viewing sustainability as described here gives the right perspective between the relationship of ecosystem services and sustainable development. The challenges are (i) how to influence policy to make this “paradigm shift” happen and (ii) how to mainstream this “correct” model of sustainability to influence decisions in development planning and implementation. The Ecosystem Approach is one tool that could assist in achieving this paradigm shift. Applying the 12 Principles of the Ecosystem Approach (Box 3) in conjunction with the conceptual framework developed by the MA (www.maweb.org) will definitely bring this model of sustainability more into focus.

Box 3 - Principles of the Ecosystem Approach

1. The objectives of management of land, water and living resources are a matter of societal choice;
2. Management should be decentralized to the lowest appropriate level;
3. Ecosystem managers should consider the effects (actual or potential) of their activities on adjacent and other ecosystems;
4. Recognizing potential gains from management, there is usually a need to understand and manage the ecosystem in an economic context. Any such ecosystem-management programme should: (a) Reduce those market distortions that adversely affect biological diversity; (b) Align incentives to promote biodiversity conservation and sustainable use; (c) Internalize costs and benefits in the given ecosystem to the extent feasible;
5. Conservation of ecosystem structure and functioning, in order to maintain ecosystem services, should be a priority target of the ecosystem approach;
6. Ecosystems must be managed within the limits of their functioning;
7. The ecosystem approach should be undertaken at the appropriate spatial and temporal scales;
8. Recognizing the varying temporal scales and lag-effects that characterize ecosystem processes, objectives for ecosystem management should be set for the long term;
9. Management must recognize that change is inevitable;
10. The ecosystem approach should seek the appropriate balance between, and integration of, conservation and use of biological diversity;
11. The ecosystem approach should consider all forms of relevant information, including scientific and indigenous and local knowledge, innovations and practices;
12. The ecosystem approach should involve all relevant sectors of society and scientific disciplines.

The conceptual framework of the MA not only highlights the linkage between ecosystem services and human well-being, but also identifies points on human interventions that would lead to realization of the model of sustainability proposed above. The Ecosystem Approach provides the framework for the human interventions.

Conceptual Framework



— = Strategies and Interventions Millennium Ecosystem Assessment

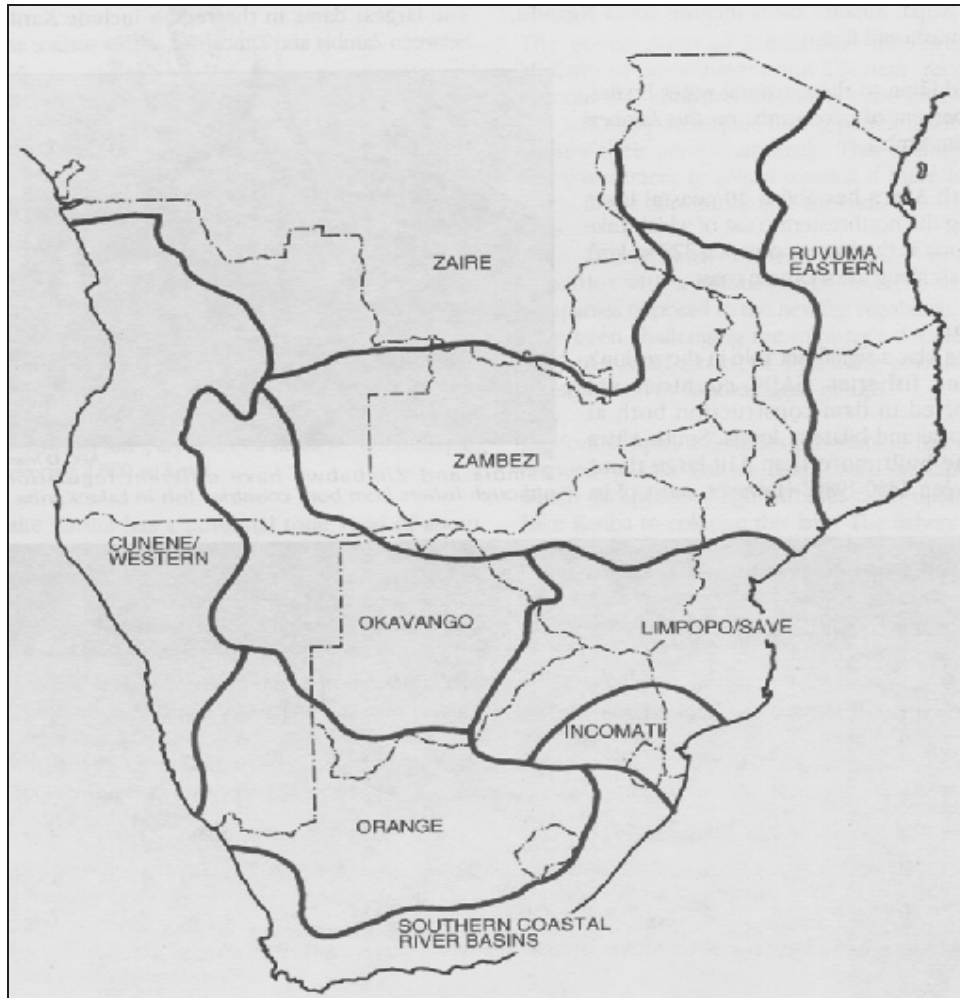
Applying the Ecosystems Approach: some challenges

When one looks at these principles, they look fairly easy and quite obvious, but when one has a closer look, they become much more challenging. When it is said that objectives of ecosystem management are a matter of societal choice, one may ask: Who is that society? Who decides who should be involved and who decides who should not be involved? Who are the stakeholders? So when you enter the issues at a deeper level, they become much more complex. Other questions include: What is the most “appropriate” level of decentralization? What and who determines the options that are most economically viable? What is the most appropriate scale in time and in space?

Integrated Water Resources Management (IWRM) as an example

Water resource use and management is a relatively easy example to illustrate the efficacy of applying the Ecosystem Approach.

Fig 3. Major River Basins of Southern Africa



[Source; SARDC, Water in Southern Africa]

For example, in Southern Africa, there are more than seven major river basins, the main one being the Zambezi which is shared by several countries. It would be most appropriate to manage the water resources in each basin as a unit, but each of the basins is shared by more than two different countries, the Zambezi in particular by eight countries. The same is true for other river basins of the world such as the Nile, the Mekong, the Danube, the Amazon, and the Mississippi. That means, in managing an ecosystem, the boundaries of the ecosystem very often go beyond national jurisdictions or even within the same country, go beyond district level administration issues.

Inter-sectoral cooperation

Applying the ecosystem approach requires the working together of all sectors involved in development planning and implementation. This calls for common planning or, at least, coordinated planning. In this regard, guidelines specific to each sector such as the Ecosystem Approach to Dam building; Road construction; Urban planning; Waste management; Agricultural expansion; High seas fisheries etc may be advocated for.

Concluding quote

“Emancipate yourself from mental slavery, none but ourselves can free our minds”.
Robert (Bob) Nesta Marley.

The Ecosystem Approach Must Be Seen in the Broader Context of Human Ecology⁴

By Ms. Anna Tibaijuka
Under-Secretary-General and Executive Director
United Nations Human Settlement Programme (UN-HABITAT)

Coming from UN-HABITAT, our perspective is based on what we call the human ecology, or the interface between natural ecosystems and human settlements.

Technology today plays a large part in defining human settlement patterns. From time immemorial human settlement patterns were largely determined by the availability of fresh water. So in this sense the human ecology has historic links with water resource management. We are dealing with the same issue today. Many cities around the world are asking the same questions. Where will our water come from? How will we get it? How best can we preserve it? But today we have the benefit of technology which enables, for example, the City of Johannesburg to use water from Lesotho. Technology has enabled human settlements, and cities in particular, to grow very big and very fast.

Last year, we crossed a very important threshold that indeed characterizes us as *homo urbanus*. We have become a predominantly urban species, and there is no turning back. Urbanisation is a fact and it is irreversible. By 2030, 60 per cent of humanity will be living in cities and towns. Urbanisation also brings about irreversible changes in the way we use land, water and energy. Poorly planned urbanisation puts tremendous pressures on natural ecosystems. As we become more and more urbanized the ecological footprint of our cities and towns tend to grow. Our ability to conserve ecosystems, which we all agree is necessary, will thus depend on sustainable urbanisation - on our ability to make our cities, towns and communities socially inclusive, economically vibrant and ecologically sound.

What is happening as we speak is unfortunately not very sustainable - it is what we call rapid and chaotic urbanisation. While cities are without a doubt the engines of economic growth in a globalised world economy, we are witnessing in the North endless urban sprawl, and in the South the urbanisation of poverty and deprivation. In Africa, 72 per cent of the urban population is living in informal, unplanned and sprawling slums. Besides the lack of water and sanitation, these settlements are also devoid of access to modern and affordable energy supply. So what do these people do? They cut down trees and use whatever biomass is within their vicinity. So we have the spectre not only of rampant poverty characterized by poor health, poor nutrition and disease, we also face deforestation and unsustainable use of land and other natural resources. My main submission is therefore that the conservation and protection of ecosystems ultimately depends on how we manage urbanization.

I would of course agree with Professor Masudire that in all this you need to have the people with you. So awareness-raising is very important. At the moment, the most important awareness-raising that is needed is to recognize the challenges of rapid and

chaotic urbanisation. In Africa, some cities are doubling their population every twelve years or so. How do you factor such expansion and growth in an ecosystem approach?

We may not have all the answers but we do know that there are some key actors and issues that need to be looked at which have yet to be mentioned. The first is the role of communities and local authorities. They are the real front line actors in managing urbanisation and growth. They need to be involved in each step of decision making for any solutions to be sustainable. The second is the issue of land both in terms of its use and in terms of property rights. Rational land use planning and regulation is critical to all of our endeavours, it lies at the heart of water and energy issues and how we preserve other natural resources. Property rights are critical for the social and economic pillars of sustainability and to peace. Until property ownership and distribution are seen to be equitable we will continue to face social tensions and unrest that undermine all attempts at sustainable development.

In conclusion, the ecosystem approach is a very welcome concept. It is an integrated concept, but it must be premised in the broader context of human ecology and the need for us to factor in urbanisation and urban development as part of the complex reality that we are working with. Let me also congratulate the ninth Conference of the Parties of the Convention on Biological Diversity (COP9) for its wisdom in adopting in its declaration “Cooperation with other conventions and international organizations and initiatives and the engagement of stakeholders”. COP9 could well become a watershed, if not a landmark, in looking at the interface between ecosystems and biodiversity, on the one hand, and human ecology on the other. Bringing in local actors, cities and local authorities and mayors is a major step forward.

The Role of Ecosystem Services in Sustainable Development – The Example of Costa Rica⁵

By Mr. Jorge Mario Rodríguez
Director
National Forestry Financing Fund (FONAFIFO)

Costa Rica's Profile

Costa Rica is a small country in Central America; its surface is about 51 thousand square kilometres and its population is just over four million inhabitants. The main export products have traditionally come from the agricultural sector and have been bananas, coffee and other crops. Recently, the export structure changed and others industries like medicine, microprocessors and textiles have become increasingly important.

With regards to forestry, about 51 per cent of the total surface has forest cover and close to 26 per cent is under different protected categories, like national parks, forest reserves, wildlife refuges etc. Also, it is important to mention that since 1996, forest clear cutting is forbidden by law.

Background on Costa Rica's Payment for Ecosystem Services Program

In Latin American and the Caribbean, about 64 millions hectares of forest were cut down in the period 1990 – 2005. Like other countries in Latin America, Costa Rica suffered a strong deforestation process during the twentieth century, mainly due to different macroeconomic policies that needed cleared lands in order to produce agricultural export products. Low-land forests were cleared because those lands were needed for banana plantations and for pastures for the cattle industry. Costa Rica lost about 40 per cent of its forest cover during this period. Deforestation releases the stored carbon in biomass, amounting to annual emissions of over 23 million tons of CO₂.

In Costa Rica, society urged the government to adopt policies and rules towards restoring and preserving forests. Among the most important measures taken were: the creation of a System of National Parks and the creation of the first Forest Service, in 1969. In addition, the evolution of different economic instruments began, such as income tax deductions, soft loans, forest bond certificates for different uses, including forest protection and debt swaps. Most of these instruments were linked to the development of forest plantations, including raw material suppliers for the forest industry. Generally speaking, the forest was solely seen as a source of timber. The lesson learned during the use of those economic instruments led to the adoption of a new forest law in 1996. This law, among other changes, introduced the concept of environmental services and created the Forestry Financing National Fund (FONAFIFO).

The Payment for Environmental Services (PES)

The programme was created as a financial instrument to recover and conserve forest and its associated benefits. The following four pillars have been the milestones for the success

of the program: (1) Legal Framework, (2) Institutional Framework, (3) Financial Framework, (4) Monitoring and verification.

Legal Framework

There is enough international legislation to justify and support the PES program. It includes: Rio Declaration on Environment and Development, United Nations Framework Convention of Climate Change and the Kyoto Protocol, Biodiversity Convention, Johannesburg Plan of Implementation and the Millennium Development Goals (MDGs). Nationally, supportive legislation has been developed, including an article in the national Constitution which obliges the Government to secure a clean environment for all citizens, and the Forest Act that introduced the concept of payment for environmental services (defined as “those that forest and forest plantations provide”). This law also created the main source of forests financing, as percentage of a fuel tax.

Institutional Framework

Besides the PES concept, the Forestry Act created the necessary institutional framework (National Forestry Financing Fund - FONAFIFO), which has permitted the implementation of the PES Program. It is also very important to determine clear roles and responsibilities of relevant Ministries, such as Ministry of Finance and Ministry of Environment, in the implementation of the PES program. Universities, research centres and non governmental organizations participate in different ways in the program.

Financial Framework

The legislation clearly establishes four types of environmental services for which FONAFIFO is authorized to pay to forests owners which are recognised by law: (1) greenhouse gases mitigation (carbon reduction, absorption, fixation and storage), (2) water protection for urban, rural or hydroelectric use, (3) Natural scenic beauty, especially for tourism, (4) Protection of biodiversity for conservation and sustainable, scientific or pharmaceutical uses, genetic research and breeding, and protection of ecosystems and life forms. By law, the financing source of the program is 3.5 per cent of fuel tax. To develop an environmental services market, it is necessary to identify the beneficiaries of those services. In the case of biodiversity and carbon absorption and mitigation, clearly the international community is the primary beneficiary, and with regards to water and scenic beauty, local communities benefit most.

Monitoring and Verification

This is one of the most important pillars of the system, because this component provides transparency to the Program. Without monitoring, it is impossible to know its achievements and the right allocation of the resources. The main components in the verifying process are: (1) employees of the National System of Conservation Areas and Ministry of Environment, (2) regents (public faith), (3) limitations to property use, (4) external audits, (5) management projects systems, (6) forest cover monitoring, (7) geographical information system (GIS).

Achievements of the Programme

The main achievements of the program are:

- It has been successful in the recovery of the forest cover
- 602 thousand hectares of private land under the Program of PES (12 per cent of the total territory)
- Costa Rica has invested more than US\$100 million in the PES.
- More than 7500 small and medium producers benefiting from the Program.
- Tool to reduce poverty
- It is paying environmental services in about 42,000 has of Indigenous Territories. The Costa Rican Government through FONAFIFO, has paid about US\$ 9,5 millions to indigenous populations.
- Development of new financial mechanisms.
- It has promoted gender equality incorporating more than 700 women.
- It is contributing in reaching the MDGs

Forest on the international agenda

Despite the significant benefits demonstrated by PES Programs for countries such as Costa Rica, and the recognition that through the valuation of forests services Costa Rica has managed to stop deforestation and contribute in meeting the Millennium Development Goals, at the international level there are not many opportunities which recognize the integral and holistic value of forests.

Payment for environmental Services Learned Lessons

Key lessons learnt by Costa Rica during the implementation of its PES include the following:

- There is no market for environmental services, therefore government support is required (legal framework and financial sources)
- Environmental services require government's vision and therefore they must be built-in in national development plans.
- The four pillars - legal framework, institutional framework, financial framework and monitoring and verification - are fundamental for the development of the transparency scheme
- The PES programme can help promote rural development and poverty reduction
- A strategy of setting priorities for the financial flow is needed: biodiversity, development and social development index.

- The PES scheme has been conceived in Costa Rica after a long process; therefore it will require sufficient time and political will to replicate it in other countries.
- Institutional positioning is necessary.
- Valuation methods are important tools as long as there are political conditions.
- The PES program is an important tool in the reduction of deforestation as well as a contribution in the reduction of greenhouse gas emissions.
- This important effort must be recognized by the international community through financial benefits from reducing emissions from deforestation in developing countries.

The Role of Ecosystem Services in Sustainable Development in the Context of Coastal Developing States in Sub-Saharan Africa⁶

By Mr. Magus Ngoile
Director-General
National Environment Management Council
Tanzania

Meeting the needs of citizens while conserving ecosystems

The major question is whether sub-Saharan Africa can meet the needs of its coastal citizens while conserving ecosystems within the framework of sustainable development. In reality, all what fisherman in coastal developing countries have is children, boats and the sea. How can they contribute towards the Payment for Ecosystem Services (PES) when this is just the heart of their lives? The question which lies at the heart of considering the ecosystem approach to managing our marine resources is here. We have to take consideration between those that actually need the support and there are resources that are being utilized for the benefit for those that are from without the communities.

Key fisheries and economic statistics

The statistics illustrate the magnitude of management possibilities of marine ecosystem in Africa. In sub-Saharan Africa there are 32 coastal states. There is a coastline stretching for more than 27,415km. The shelf area to 200m depth contour is 1,065,000km². The area covered by exclusive economic zone (EEZ) is 10,811,000 km². Inflation rates range from 35 per cent to -0.8 per cent and external debt is around \$ 11.7 billion.

Who is going to pay the bill?

When it comes to applying the ecosystem approach to managing these marine (aquatic) resources, the key question is who is going to pay the bill? Is it the same poor African countries? What are the ecosystem services that we are considering in Africa? Fisheries (Coastal), coastal forests, coastal agriculture, oil and gas, non fuel minerals, water resources, water ways – shipping, tourism, protection – against erosion and pollution are just some of the most important ones.

Concerns

Of the 7.8 million tons of fish estimated to be the potential in sub-Saharan coastal waters, only 3.7 million tons are harvested by the African coastal states, the rest is being harvested by distant water fishing fleet. Is there any equity one may ask? If not, how can sub-Saharan Africa bear the bill of applying the ecosystem approach to managing our aquatic resources?

Key challenges

In order to realize and sustain the benefits and development opportunities provided by coastal systems, the true value of the goods and services needs to be recognized and appreciated. Estimating the monetary value of the benefits provided by coastal and marine ecosystems is a very complex process. This has been talked about many times. What are the consequences? The consequences are that policymakers, users and the general public are ill informed and do not appreciate the true value of the coastal resources leading to the overexploitation and degradation of those resources.

Possible solutions

There is an urgent need for developing innovative approaches that will provide the true value of goods and services of ecosystems, so that they can be recognized and appreciated by all stakeholders.

As a first step the African Union should take the payment for ecosystem services (PES) and the Ecosystem Approach to fisheries management up as an agenda item for discussion. This would provide the continent of Africa with an opportunity for optimizing those services.

In addition, using the PES and the Ecosystem Approach to fisheries in the selection of criteria for granting projects under the Strategic Partnership for Sub-Saharan Africa is extremely an important consideration. One example is that of bycatch which is very significant in the Western Indian Ocean and which is not taken into consideration under the current approach. One possibility would be for the Indian Ocean Tuna Commission to recognize that this bycatch might provide economic opportunities in some sectors and therefore be able to pay for Ecosystem Approach for managing the tuna.

At the community level, societies must be allowed and in some cases facilitated to set up their own vision on sustainable development. These visions should be the foundation for national, regional and global supportive action. At the community level, we have an ecosystem approach to managing these resources, specifically the concept of integration of coastal zone management provides a platform for discussion, where agreements can be agreed on the vision and the other support systems, the ecosystem approach to fisheries management as well as PES. National governments should provide the right legislative and policy framework for community action. The international community should support these initiatives.

Tanzania's approach to managing marine resources

Tanzania is an interesting example of sustainable marine management. Tanzania has a process for the establishment of a Marine Legacy Fund, which takes care of ecosystem approach for looking at the marine waters all the way to coastal waters to EEZ. The Marine Legacy Fund is a revolving fund which is intended to meet the core costs of managing the marine resources and the marine ecosystems. However, a large amount of capital in the order of \$75 to \$150 million is needed for this fund. Tanzania intends not to acquire all the funds from outside the country. Some of the taxations that are being levelled for now on different aspects; and this will be amalgamated to be able to contribute towards the Marine Legacy Fund. To extend the ecosystem approach to the

management of other resources, we have established an Eastern Arc Mountains Conservation Endowment Fund, which is aimed at sustaining the management of the hotspots in Tanzania.

The Iwokrama Rainforest Project – Making Payment for Ecosystem Services Work for Development and the Environment⁷

By Mr. Dane Gobin
Chief Executive Officer
Iwokrama International Centre for Rainforest Conservation and
Development
Guyana, South America

Currently it appears that marketing and valuing Ecosystem Services can be quite complex. However, the following presentation will provide you a global view of how the Iwokrama Rainforest Project can help companies and countries see how to enhance the value of standing rainforests through the commercialization of ecosystem services.

Iwokrama's mission mainly focuses on conservation, sustainable development and equitable use of natural resources. Iwokrama has a myriad of stakeholders, including civil society, government, and the local communities, who actually have rights to the land. Some of the main activities of the Centre focus on monitoring, research, training, tourism and capacity building. The lessons learned along the way are not only shared world wide but incorporated into future programmes aimed at maximizing the utilization of rainforest resources.

Iwokrama is a Makushi word, meaning "a place of refuge". The forest was a gift from the Government of Guyana to the international community in 1989 at a Commonwealth Heads of Government Meeting. The Iwokrama forest is zoned into two parts. Fifty percent is zoned as a Wilderness Preserve where no harvesting of any kind occurs and which is mainly used for setting baseline data and preserving local, national, and forest values. These values include the biological, economic, social, and cultural and the spiritual relations between people and the area. The other 50 per cent of the forest is zoned as the Sustainable Utilization Area where we have located our sustainable business development projects such as timber harvesting, eco-tourism, training services, research, and conservation. Management of the entire 1 million acre Iwokrama Rain Forest is under the direct control of the Centre and the Centre's management reports to an International Board of Trustees. His Royal Highness, Prince Charles, is the patron of the Iwokrama program and the Government of Guyana has representatives on the board.

Donors include the Global Environmental Facility (GEF), the UK Department for International Development (DIFID), the Canadian International Development Agency (CIDA), the International Tropical Timber Organization (ITTO), KfW, the European Commission and smaller organizations including the World Wildlife Fund (WWF), the International Conservation Union (IUCN), the International Institute for Environment and Development (IIED), Environmental Resources Management, KPMG International and Darwin, amongst others. Our work programmes include conservation and wise use of

natural resources, business development and human resource development. Iwokrama has, over the last ten years, slowly begun to wean itself off of donor income and strive more towards financial self sustenance. Towards this end, the Centre is currently generating revenues from sustainable businesses to cover its core costs and has moved from being a US \$3 million operation four years ago to now just under US \$750,000 a year a result drastic cost cutting initiatives and the adoption of a business focus.

Our timber business is governed by the principles of Sustainable Forest Management (SFM) and follows environmental, social and economic best practices. We have a very innovative governance model which includes the private sector, the Centre and the local communities located in Iwokrama and the North Rupununi. Communities are fully integrated into business development at Iwokrama and members are not only employees but also partners, shareholders and directors in the company. The Iwokrama Forest received the much coveted Forest Stewardship Council (FSC) certification in January of 2008, and I suspect that the Iwokrama project is still the only institution in the Guyana shield area that has achieved Forest Stewardship Council (FSC) certification. The Centre has also adopted a “no log” export policy, which means that everything that leaves the Iwokrama Forest has to be sawn.

Sustainable Ecotourism is another bustling area of activity. The Iwokrama Rain Forest was recognized by a report of the United States Agency for International Development (USAID) as the “birding destination of Guyana”. Additional ecotourism activities include the only tourist and research oriented canopy walkway in the Guianas, a hike to the summit of Turtle Mountain, caiman spotting and nature trails. All of these are complimented by the Iwokrama River Lodge and Science Station which supports all field activities. Our tourism visitation has effectively doubled in 2007 from 2006 with us hosting approx. 700 in 2006 to 1,360 persons in 2007. In terms of our community relations, the Centre has collaborative management agreements and shareholding agreements with several communities, conducts training/capacity building programs for community members and has benefits sharing arrangements and protocols as well as extremely innovative governance models.

Rainforests are giant global utilities providing valuable ecosystem services such as water, pollination, soil erosion prevention, biodiversity and recreation amongst others; all of which are very important to humanity. These values have mostly not been recognized, value systems not perfected and markets not developed. We believe that ecosystem services add value to a standing forest but should not be looked at as an alternative to sustainable forest management; rather it complements SFM by adding value to well managed forests. This is more important to the developing world which has characteristics of high forest cover, low population density and economic challenges all of which put immense pressure on these governments to monetize forest resources to provide the much needed resources for economic development.

As mentioned before, the specific Iwokrama deal is very innovative. Partnering with Canopy Capital, the agreement was launched at the world’s first Finance and Biodiversity Conference in New York in March 2008. It is not an emission based arrangement, because the Iwokrama Forest is already a protected area, which means we cannot benefit from carbon credits. Rather, it is an innovative agreement between the private sector and

Iwokrama which aims to show that you can use a forest without losing it by creating and enhancing the value of the forest using ecosystem services.

It is a two stage process: identification and the determination of inventories of the various ecosystem services, and then valuation and commercialization of the identified services. The basic tenants of the five year agreement gives Canopy Capital a license to market ecosystem services, it provides payments to the Iwokrama Centre for this license and it has built in safeguards to protect Iwokrama, their partner and the local communities. All activities have to fall within the confines of the Iwokrama Act and within the framework of the Guyana Government. Using Iwokrama as a testbed for this project because we have an excellent zoning process, a well defined and structured land tenure system, the entire forest is FSC certified, there are existing business models of timber, tourism and training, forestry sources are already mapped and Iwokrama has a history of research activities and local community involvement.

We are at the first stage of the project, and stage two which deals with commercialization has to fit within any national framework. As you know the Government of Guyana has offered its land to the United Kingdom government to offset the United Kingdom's carbon emissions and our work will have to support this initiative. We then need to develop market mechanisms to ensure that resource providers are compensated by the beneficiaries of these services thus ensuring that forest peoples, local communities and other stakeholders share equitably in the benefits.

One of the major challenges is to actually get people to pay for yet “another” service. The world is in a very difficult position faced with the challenges of rising fuel prices, poverty, natural disasters, and terrorism. Another challenge is to convince owners of forest resources that over the short to medium term revenues from ecosystem services will be forthcoming. As mentioned this is particularly important to the lesser developed countries which have serious pressures to monetize their forest resources for the development of their economies. The question is whether or not the revenues from ESS will be enough to convince these governments to re-think their relationships with large timber companies or at least to negotiate better deals with them.

Developing appropriate valuation models for some of these intangible services, and developing innovative financial models, such as green bonds, to help finance ecosystem services is yet another challenge. The benefit of the project for the international community is that we are testing a model of increasing the value of, and revenue from, standing forests. For a country like Guyana which has still 78 per cent forest cover it could provide a solution that combines reduced deforestation whilst still maintaining revenue streams for national economic development. At the same time Iwokrama and the local communities benefit directly. With this model we can continue our mandate of conservation and sustainable development.

Notes

- 1 From the 2008 ECOSOC High-level Segment, 2 July 2008.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 Ibid.
- 6 Ibid.
- 7 Ibid.

Chapter 8

THE HIGH-LEVEL SEGMENT MINISTERIAL ROUNDTABLE BREAKFASTS

Overview

Ministerial roundtable breakfasts were sponsored by United Nations agencies as part of the ECOSOC High-Level Segment on 1 and 2 July 2008. Key stakeholders were brought together from governments, civil society, including NGOs, academia and foundations to discuss aspects of the overall theme of the segment at length.

Several diverse topics were discussed at these breakfasts. These included health, the impact of climate change on food security, international cooperation in science and technology, sustainable urbanization, microfinancing, resource efficiency, the gender perspective on migration, environment and climate change, and MDGs actions and results for children before the target date of 2015. The rich discussions at these high-level roundtables, reflected in this chapter, helped accentuate the Council's ability to highlight the multi-sectored approach in efforts to help in the achievement of the internationally agreed development goals, including the Millennium Development Goals.

Addressing the food crisis through agri-business development emphasizes the importance of the development of agri-business for tackling the food crisis. The expansion of agri-business in developing countries has the potential to increase food production, thereby reducing the cost of food. The development of agricultural supply chains leading to greater value addition in the producing countries and the reduction of post-harvest losses were also highlighted.

Safe drinking water for all – investing in the MDGs emphasizes creative solutions for access to safe drinking water as well as basic sanitation for all.

The impact of climate change on food security in the Least Developed Countries shows the importance of world food security while keeping the impact of climate change in mind. Rising food prices due to climate change are discussed, highlighting the importance of keeping in mind the severe impact climate change can have in development strategies.

Science, technology and innovation policy: key to sustainable development focuses on reducing poverty and realizing sustainable growth through creating knowledge-based development, by establishing science and technology innovation and research policies in order to increase human resource capacity.

Sustainable urbanization: pro-poor service delivery focuses on the implementation of the Habitat Agenda, which includes housing for human settlements and urban developments. The importance of the challenge of the sustainability of such endeavors is also noted, as well as the impact of climate change on the pace of urbanization.

Microcredit, microfinance, inclusive finance: Building on success for innovative solutions for poverty eradication emphasizes the importance of broadening financial sectors in order to promote sustainable financial access to all levels of society at a reasonable cost. The need for an innovative and multi-stakeholder approach is accentuated in the discussion.

Resource efficiency in a world of scarcity and abundance: markets and lifestyle challenges focuses on sustainable consumption and production, and resource efficiency issues. It notes that the MDGs will only be achieved if all types of factors are taken into account, including placing emphasis on environmentally friendly business practices, material flow accounts as well as the strategic necessity of education in sustainable development.

Migration, environment and climate change: the gender perspective stresses that the impact of climate change is not gender neutral, as women are underrepresented in sustainable development decision making. The impact of climate change on human migration is highlighted in this discussion, as well as the need for reform, at the international as well as field levels, to take the gender perspective into account.

Countdown to 2015: MDGs and actions for results for children provides an overview of the progress and challenges facing MDGs related to children. It notes that there has been progress in reducing child-mortality, but that major childhood diseases treatment still poses a challenge. Concern was expressed regarding the consequences of the dramatic rise of food prices on children as well as their overall impact on food security. It was noted that the violence and instability arising from conflict over the scarcity of food have the greatest impact on children.

Addressing the Food Crisis through Agri-Business Development¹

By the United Nations Industrial Development Organization (UNIDO), the International Fund for Agricultural Development (IFAD) and the Food and Agriculture Organization of the United Nations (FAO)

A. Issues paper

Introduction

The world has faced food crises – or food price crises – in the past and yet recovered relatively quickly. This time, however, things are different. The underlying causes are diverse and interwoven: climate change, speculation and increased energy costs being some of the most notable. It is apparent that food prices are likely to remain high by historical standards and that, in addition to an urgent humanitarian response, medium-to-long-term solutions are required. Agri-business, which can support an increase in food supply and raise farm incomes through the stimulation of non-farm activities, is central to these solutions.

Although 74 per cent of the world's poor are found in the rural agricultural sector, most LDCs remain net food importers. Clearly, therefore, livelihoods sustained through inefficient small-scale farming cannot withstand global price shocks. Meanwhile agricultural stagnation and hunger combined with rapid population growth is a recipe for disaster.

What remedies can be achieved through the development of agri-business? The following issues, which were also raised at the April 2008 Global Agro-Industries Forum hosted by the Government of India and organized by UNIDO along with FAO and IFAD, are instructive.

On the farm input side – industry for agriculture – more attention must be given to bolstering agricultural productivity through, for example, local fabrication of agricultural machinery and farm implements.

On the output side – industry from agriculture – post-harvest losses and a lack of basic processing technologies have impacted supply. Agri-business development can secure the farm-to-fork chain by combating the high waste levels, which are due to rampant inefficiencies, while also targeting the inadequate preservation practices that cause a prevalence of contaminated food. It can help farmers to build resilience against the extreme weather events caused by climate change. Further, it can give access to market information, reducing delays in storage and ensuring the best available price.

Despite a focus on technology improvements – in seeds, fertilizers and irrigation – little attention has been given to the value chain through which agricultural products reach the final consumers. Only 30 per cent of agricultural production in developing countries undergoes industrial processing, although agro-processing industries generate up to 60

per cent of manufacturing value added and agro-industrial products account for half of all exports from most of these countries. To entrench a solid agricultural industry, support is needed to improve productivity and efficiency, increase integration into value chains, and promote a diversity of rural livelihoods.

Issues for discussion

1. What kind of policies can best promote agricultural value chains?
2. How can growth in agricultural exports be reconciled with domestic food security in developing countries?
3. How can agri-business meet the challenge of climate change?

B. Summary of discussions

The Ministerial roundtable breakfast was held on 1 July and was co-chaired by H.E. Ambassador Claude Heller, Permanent Representative of Mexico to the United Nations and Mr. Wilfried Luetkenhorst, Chief of Cabinet and Director for Organizational Strategy and Learning, UNIDO.

The participants highlighted the role of agriculture, in particular small holder agriculture, in achieving food security, reducing poverty and promoting development. It was pointed out that despite urbanisation, the majority of the world's poorest people live in rural areas and depend on agriculture for their livelihoods. As a result, small-holder agriculture is the prominent form of production in many developing countries with some 450 million small-holder farms world-wide.

It was noted that agricultural development had been shown to have a powerful impact on poverty reduction. The 2008 World Development Report had shown that GDP growth generated by agriculture can be up to 4 times more effective in reducing poverty than growth in other sectors. Despite this total Government spending on agriculture by developing countries had declined by a third in Africa and by as much as two thirds in Asia and Latin America. In addition, participants noted that ODA for agriculture had fallen from around \$3.4 billion in 1980 to around \$500 million in 2006, less than 3 per cent of total of total ODA. Many countries are now asking for support to increase agricultural productivity.

To enhance national food security, reduce poverty and foster economic growth, the smallholder economy needs to be connected with modern economic processes. Agro-industries play a critical role in building a dynamic linkage between the primary producer and the final consumer, while enhancing food availability, employment and exports. Farmers, private sector, governments, scientists and civil society have a part to play in linking farmers, especially smallholder farmers, to agro-processors and so to regional and international markets. In the face of multiple challenges faced today with regards to global food security, the time has come to re-engage in the agricultural sector and bring about a second Green Revolution to ensure that current and future generations can eat the food they need. Agro-industries play an important role in turning challenges in opportunities.

While participants generally agreed that it is entirely possible to increase food supply (several examples of countries who had significantly increased food production were mentioned), some also emphasized the challenges of doing so. There was, however, widespread agreement that reducing post-harvest losses was one of the keys to increasing the availability of food and reducing its price. Currently, as several participants emphasised, some 50 per cent of the production is lost post-harvest. Regional approaches on R&D and transport links had a role to play in this area. All agreed that increased international cooperation was vital.

The importance of the UN system rising to meet the challenge of the food crises was stressed by several participants. The establishment of the high-level Task Force by the Secretary-General and the Comprehensive Framework for Action were seen as important steps in the right direction. But the key was to turn words into action. Partnerships such as that between UNIDO, FAO and IFAD had the potential to contribute to such efforts.

The difficulties that middle income face in increasing their agricultural productivity was highlighted by a number of participants. Many middle income countries continue to have pockets of poverty in rural areas which could be tackled by increasing agricultural productivity. It was important to develop financial instruments that could help small farmers. Mobilizing small and medium farmers to meet food demand through better technology and equipment was seen as crucial. South-South cooperation had a role to play in this. The importance of small farmers benefiting from higher food prices was also stressed.

The negative impact of some trade policies were mentioned by several participants. These had been particularly harmful to the agricultural sectors in many developing countries. A more coherent approach to development policy was needed.

It was noted that women play a key role in food supply chains. The gender dimension of agri-business should therefore be highlighted. The importance of public-private partnerships was also emphasized as was the existence of the proper enabling environment for agri-business.

In conclusion the participants identified the relative neglect of the agricultural sector over a number of years as having been a mistake that needed to be corrected. The transformation of the agriculture sector, including through greater engagement with the private sector, should be given a higher priority for international cooperation.

Safe Drinking Water for All – Investing in the MDGs²

By the United Nations Office for Partnerships (UNOP)

A. Issues paper

Objective

The aim of the meeting was to examine how partnering between corporations, governments and civil society, can create strategic opportunities for investment in providing safe drinking water and basic sanitation while ensuring sustainable use of water.

Issues

As the Human Development Report 2006 states: "The global crisis in water consigns large segments of humanity to lives of poverty, vulnerability and insecurity". Indeed, this is a crisis affecting not only communities and governments. As significant users of water both directly and indirectly, the private sector has an enormous stake in helping to solve the water crisis.

Sustainable use of water and extending access to safe drinking water and sanitation are key to achieving the Millennium Development Goals, particularly MDG 7 - ensuring environmental sustainability. Without safe, affordable and sustainable supplies of drinking water and improved sanitation and hygiene, progress toward other development goals (including improved healthcare, poverty reduction, increased elementary school attendance rates) will be far more difficult to achieve and sustain.

Despite the apparent abundance of water there is a significant lack of access to *safe drinking water*. 43 percent of all people living in Sub-Saharan Africa, more than one billion world-wide, do not have access to safe drinking water³. Extending access to safe drinking water lies at the heart of alleviating poverty, eradicating diseases and reducing child mortality. Diarrhoeal diseases, which account for over ninety percent of all deaths of children under five in developing nations, are primarily caused by unsafe drinking water. World-wide, unsanitary drinking water causes 2.2 million deaths per year with a large majority of these deaths among children under the age of five. Equally important is access to *basic sanitation*, including waste management at a household level. Cutting the percentage of people living without access to basic sanitation is an integral part of ensuring environmental sustainability.

The nature and extent of these issues not only vary from region to region but from urban to rural settings as well. Some of the greatest challenges in addressing water issues include:

- limited capacities ranging from national level policy making to community level management of water and sanitation schemes;

- continuously deteriorating infrastructure leading to low delivery efficiencies of water supply systems;
- insufficient investments in water supply and sanitation systems; and
- inability to scaling up of good practices.

Investing in the MDGs

Progress made to solve these issues has been inadequate and slow. It is crucial for the different sectors of society to join forces to catalyze change in the water and sanitation sector when both the resources and the will to live in the world where everyone can drink clean water are given.

In the *public sector* there has been increased recognition that achieving the Millennium Development Goals depends on vibrant economic growth, driven by private enterprises that create jobs and goods and services for the poor, as well as generate tax revenues to finance essential social and economic infrastructure. The private sector – from large multi-national companies to small enterprises and cooperatives servicing local markets – has an essential role to play in achieving UN goals in the area of water and sanitation.

Similarly there is a growing recognition in the *private sector* that the developing world is critical to future business success. The growth in the number of consumers has huge direct benefits through the market potential, which would be a great loss for the private sector if left unexplored. Some of the indirect benefits include capacity-building, improved productivity, better health and education, not to mention the positive effects on the business environment and general governance. And then there are the obvious benefits such as new markets, revenue, greater cost efficiency (local production and distribution) or access to information and innovation.

In the area of environment and sustainable development there are many reasons for companies to partner. The special characteristics of the water and sanitation issues at hand make it an exemplary case of the benefits of *public-private partnerships*. The public sector provides the long term framework, setting priorities and ensuring that overall goals are reached. The private sector contributes the technical and logistical expertise as well as the financial stamina for long term and sustainable investment.

The public sector is tasked with providing a framework for the private sector to invest in water and sanitation, and has to encourage the private sector to improve the destiny of the underprivileged. Measures could include encouraging legal frameworks, tax incentives and the creation of an atmosphere of mutual trust. Businesses can cooperate to increase the distribution of water, e.g. establishing business incubators, building up the capacity of existing local private water delivery companies and the municipal authorities to improve effectiveness and efficiency of water delivery and to extend reach of existing systems into rural areas by facilitating SMEs for “last-mile” distribution, collection and maintenance functions.

And there is a need for *scaling up*. Success stories in the field of water and sanitation have to be promoted and applied to increase and spread the apparent and feasible impact of programmes in this field. The private sector plays a crucial role in providing a platform for the exchange of ideas and success stories. On the ground, this information has to be

shared on a local level to make use of those ideas that stand in between the demands of affordability and effectiveness. Business networks in developing and developed nations could serve as multipliers for the distribution of information on success stories and lessons learned on the one hand, and the positive impacts and consequences of business engagement in this field and in its own interest. Companies whose business directly affects these issues play a leading role in the process of convincing other companies of the benefits of investments, serving as advocates for business involvement with water and sanitation.

Civil society, the private and public sector should face questions relating to sustainable water use and management jointly to meet the urgent need for safe water and sanitation. With a *common goal* of eradicating water related issues and accelerating progress to the MDGs integration is possible in various ways. It was important to come up with new ideas for identifying and implementing solutions by engaging people and their governments, spreading knowledge, and increasing access to markets.

B. Summary of discussions

The Ministerial roundtable breakfast, held on 1 July 2008, was co-chaired by H. E. Atle Leikvoll, Deputy Secretary-General for the Norwegian Ministry of Foreign Affairs and Mr. David Schneider, Senior Advisor to the Coca-Cola Company.

Mapping and evaluating the necessary infrastructure

One of the main difficulties which were stressed was creating and maintaining the infrastructure necessary for extending access to safe drinking water. Participants noted that part of the solution has to be to understand the state and extensiveness of the infrastructure needed to deliver safe drinking water. It is therefore important to understand and evaluate the status of the infrastructure in regions mostly affected by lack of access to safe drinking water.

The World Bank, which publishes various annual reports, is preparing to release a report evaluating and grading different countries' infrastructure. This report would be an important step towards addressing and improving the infrastructure necessary for access to safe drinking water. The report would also allow corporations, foundations and governments to better understand and focus on severe and neglected areas.

Long-term philanthropic investment

Participants at the roundtable also highlighted that philanthropic investments need to be considered as part of a long-term strategy instead of a short-term strategy. Philanthropic investments have at times been a short-term strategy adopted by corporations to improve their corporate image. Through long-term philanthropic investment, the infrastructure necessary for safe drinking water can be created and maintained over a long period of time instead of failing after a few years due to neglect.

Longer-term investments may help to ensure that the local community can share the responsibility for their water supply and eventually take ownership of the equipment and resources. It is therefore important that corporations work together with the local

community to train and educate them in ways to maintain their water supply and ensure that the equipment is properly managed and maintained.

Increase awareness and change priorities

Despite the obvious health and development effects related to unsafe drinking water and lack of basic sanitation, there is still a lag in efforts towards combating the issue. In comparison to project launched by the WHO and private sector entities, solving the water issue is relatively cheap and manageable. A change in priorities is needed to create a strong and immediate affect. To extend access to safe drinking water and basic sanitation, spending on infrastructure alone needs to increase by 140 per cent.

The priority should also be geared towards creating manageable water solutions where the environment and water resources are kept in tact. In some cases, village water supplies have been exhausted and therefore only give access to safe drinking water for a limited time.

Implementing current technology and scale-up successful projects

Today there exist a variety of technologies and techniques for extending access to safe drinking water and basic sanitation. One initiative discussed at this breakfast was rain making technology which would greatly benefit countries in Africa. Essential aspects to consider when implementing technologies and solutions are creating the conditions for these solutions; these include local personnel for maintenance and electricity for power, without which, scaling-up and multiplying successful projects is not possible.

It is also important to understand that there is no one solution that fits all regions; solutions need to be evaluated and adapted according to the demand and resources available. For instance, urban areas need solutions that will be able to deliver vast amounts of water and handle greater loads of waste than in a rural setting.

The Impact of Climate Change on Food Security in the Least Developed Countries (LDCs)⁴

By the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS)/Office for the Special Advisor for Africa (OSAA) and the Food and Agriculture Organization of the United Nations (FAO)

A. Issues paper

Background

Securing world food security in light of the impact of climate change may be one of the biggest challenges we face in this century. An estimated 850 million people in the world today suffer from hunger. Of those, about 820 million live in developing countries, the very countries expected to be most affected by climate change, and 614 million of whom live in the Least Developed Countries (LDCs).

Facts

Food Security was defined as the situation “when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”.⁵”

At present there are 49 countries categorized as LDCs - 33 in Africa, 15 in Asia and the Pacific and 1 in Latin America and the Caribbean. LDCs are the poorest and most vulnerable countries in the world. By all accounts they will be the worst affected by climate change and the most threatened by food insecurity. The majority (46) of these countries are also included amongst the 82 countries classified as Low Income Food Deficit Countries (LIFDCs) by FAO. Out of the 49 LDCs, 20 countries are experiencing food crises.

Climate Change

It is difficult to deny that climate change is indeed occurring, that the results of global warming are being experienced in the world today, and that developing countries, the LDCs in particular, are likely to be hardest hit. The LDCs have contributed the least to the emission of greenhouse gases but they are the most vulnerable countries to the effects of climate change and have the least capacity to adapt to these changes.

As documented in publications such as the 3rd and 4th assessment reports of the Intergovernmental Panel on Climate Change (IPCC) and national reports to United Nations Framework Convention on Climate Change (UNFCCC), the impacts of climate change are being seen in LDCs in sub-Saharan Africa, Asia and the small island states. These include frequent natural disasters such as droughts, floods and hurricanes, rising sea level, compromised water resources, unstable food security and declining agricultural

production and productivity, natural resource management and biodiversity, and human health.

The frequency and scale of extreme weather events and disasters impact heavily on food security and food production. Also of note is the impact of climate change on land use and likewise land use on climate change since, unsustainable agricultural practices lead to deforestation, increasing land degradation, and exhaustion of fresh water reservoirs. This is evidenced in changing geographical distribution of areas affected by hazards, thus increasing the vulnerability of particular social groups and economic sectors. This will exacerbate the existing competition that arises from a shrinking finite natural resource base due to an increasing human population, the spread of urban settlements onto farm lands, and land degradation. It makes it more difficult for production to respond to the demands for increased supply of agricultural products, including biofuels.

The anticipated impacts of climate change on water resources for crop production, livestock watering, and related fish production are complex and will be experienced through changes in the hydrological cycle. The overall effect of changing hydrology on global food production and supply stability is already being seen where the aggregate failure of rainfed production is not being buffered by irrigated production. This is particularly the case for cereals where demand is transmitted into already tight global commodity markets, driving prices higher and exacerbating the vulnerability of poor urban and rural populations.

Climate change is altering the distribution, incidence and intensity of animal and plant pests and diseases. The movement of animal and plant pests and diseases, and of invasive alien aquatic organisms, across physical and political boundaries, is a global public concern that links all countries and regions and threatens food security. Most developing countries are already subject to an enormous disease burden, and both developing and developed countries will be affected by newly emerging diseases. Africa is the most vulnerable region to climate change, as a result of the low adaptive capacity of the African population. This low capacity is due to the extreme poverty of many African countries, frequent natural disasters such as droughts and floods and agriculture heavily dependent on rainfall.

Rapid Rise in Food Prices

The recent rapid rise in food prices has an immediate impact that affects all countries, but this impact is particularly felt in LDCs/LIFDCs, as has been seen in the recent unrest in a number of such countries. It is raising the cost of food imports, exacerbating their balance of trade and causing greater hardship for poor families in both developed and developing countries. Many factors are attributed to the cause of rising food prices, such as supply scarcity, decline in production and food stocks, growth in demand, high energy prices, bio-fuel demand, speculative transactions and exchange rate swings. Climate change (rising temperatures) and climate variability (droughts, floods) appear to have negatively affected productivity and caused food supply instability. The new challenges posed by climate change and the emerging market for biofuels make it all the more urgent to start to address the long-term strategic issues that will determine whether the world can continue to assure adequate food for its burgeoning population. Even if the crisis is brought under control in the near future, projections regarding the effects of climate

change point to the need to adapt to rapidly changing conditions in a situation of more frequent production crises and long-term declines in agricultural capacity.

In the short term, the immediate food price emergency must be resolved - but moving beyond the crisis means longer term policies and new tools to increase the resilience in food systems to shocks. Strategic interventions are therefore needed to ensure that gains are sustainable and not put at risk by extreme events, market factors and price volatility.

B. Summary of discussions

The Ministerial roundtable breakfast, held on 1 July 2008, was co-chaired by H.E. Mr. Frank Mwenifumbo, Deputy Minister of Agriculture and Food Security of the Republic of Malawi and Mr. Themba N. Masuku, Director of the FAO Liaison Office in New York.

Best practices: Malawi

It was agreed that there existed a complex relationship between agriculture, food security and climate change adaptation and mitigation, especially in LDCs. These issues cause and in turn affect each other, and therefore emphasis was given on the need to address them in a coherent, holistic and sustainable manner.

Malawi's experience in implementing policies to address food security at household and national levels is a success story. Participants commended the commitment and political will of Malawi in its national efforts and recognized the importance of ownership of strategies and processes as key factor in its success.

The Malawi Growth and Development Strategy (MGDS) identify agriculture and food security as one of the six priority areas for national development in its medium term framework. Within this context, the government implemented targeted agricultural input subsidies in 2005/2005 on seeds and fertilizers for its maize and tobacco production. This was in response to the result of the national assessments that identified lack of access by smallholder farmers to inputs as one of the major constraints that encroach upon agricultural productivity. The resulting increase in annual yield was over and above the national target – it changed the country's position from a net importer to a level nearing self-sufficiency. The impressive results from the agriculture sector (growth up by 12.9 per cent in 2006 from a -8.6 per cent in 2005) directly translated into improvements in the entire economy.

The soaring prices of agricultural inputs raised the question of program sustainability. Participants agreed that in order to continue the significant economic gains achieved by Malawi so far, robust and sustainable development initiatives must be entrenched in the ongoing development strategy.

The effects of climate change cannot be exclusively seen as only an environmental problem but rather as a significant driver and cause of socio-political and economic concerns. It is imperative that climate change must be taken into account in development strategies of LDCs. Malawi and the World Bank for instance has set up an insurance scheme under which crops will be insured against weather shocks. Malawi has also

implemented several land and water management programmes including irrigation intensification, water harvesting technologies, intensification of manure utilization to enhance soil fertility and use of leguminous crops.

Cooperation with development partners

As a way forward, the need to promote private sector and civil society involvement in the process, as well as close collaboration with development partners such as the World Bank and the UN System was highlighted. The NEPAD initiative called Comprehensive African Agricultural Development Programme (CAADP) and the Maputo Declaration of 2003 both aim to promote agriculturally led growth in Africa were mentioned as guidelines that is consistent with national and regional development strategies.

Commitment to the decisions agreed upon during the Tokyo International Conference on African Development (TICAD) were reiterated during the discussions and pledged to bring the issue of climate change in terms of its influence on agricultural production and overall food security for LDCs to upcoming G8 Summit.

There was a need to increase ODA on agriculture towards the attainment of the MDGs particularly that of halving hunger and poverty by 2015. To this end, the participants welcomed the UN Secretary-General's High Level Task Force on Food Prices as a coordination mechanism for food prices hikes. The participants also were informed of the increased collaboration with the Rome-based food agencies, WFP, IFAD and FAO which at this time will finalize a framework of action in order to facilitate needs assessment and to incorporate the inputs on short-term changes responding to food security crisis.

The importance of improved delivery of assistance by development partners was also discussed, and a sound and strong follow-up on the commitments made for climate change mitigation and adaptation was urged. Investment requirements are more significant for adaptation measures and hence participants urged for the completion of the UN climate talks by 2009 which will incorporate commitments from all countries in line with the principles of the common good but differentiated responsibilities.

The Way Forward

LDCs at the national level, with assistance, will need to carry out their respective national action plans over the coming few years, whilst ensuring:

- That high-level policy makers need to be aware of the importance of the issue and focus on building long-term national adaptive capacity.
- Adaptation to climate change is effectively mainstreamed into national and sectoral development, including community-based adaptation measures by small scale farmers and rural populations.
- Sectoral level policy makers, planners and managers are more likely to mainstream adaptation to climate change into their on-going and planned work if the information on impacts is given to them in a suitable form.
- Involvement of relevant stakeholders from all sectors of the economy and regions of the country, and their role in dealing with climate change, while at the same time

giving special focus to the most vulnerable regions and populations within each country.

- Research on the potential impacts of climate change needs in-country support to enable information to be improved and passed on to policy makers.
- The general public is made more aware about the issues, and the need for lifestyle changes.
- Promoting agro biodiversity, agri-enterprise initiatives, improved agriculture water management, conservation agriculture, effective use of land resources, sustainable livestock management, fishing and aquatic food production and meeting growing demand for bio-energy without compromising food security.

At the international level, there should be an enabling environment to permit LDCs to:

- Share the results of national action plans with other LDCs (firstly within their respective regions and then with others) and be better represented in multilateral negotiations.
- National and international experts and researchers need to share their knowledge with people making decisions and plans on the ground more effectively.
- Information on climate change impacts needs to be translated from the scientific research domain into language and timescales relevant for policy makers.
- Develop strategies for improving their own negotiating capacities.
- Ensure their relative needs are well understood, especially in relation to the various funding mechanisms in place for adaptation.
- Play a more active role in the GEF (on funding issues).
- Improve dialogue with major bilateral funding agencies to include adaptation to climate change in their development funding.
- The impact of climate change on the poorest and most vulnerable countries in the future will depend on how effectively they will be able to participate in international trade and policy environments.
- The agriculture for development agenda calls for full trade liberalization, which could increase agricultural commodity prices and welfare gains for LDCs. Therefore, the early conclusion of the DOHA Round of trade negotiations stands to benefit LDCs in terms of poverty reduction and sustainable development.
- On the supply side, the short term strategy should include 1) immediate humanitarian assistance to countries affected by the food crisis, which requires scaling up international assistance; 2) social protection programmes like cash support, food-for-work programmes, school feeding programmes; and 3) financial lending and crop insurance schemes.
- In the midterm, the prospects for supply rely on an increase of agricultural productivity by improving farmers' access to finance and markets, which will

enable them to purchase agricultural inputs (seeds and fertilizers), as well as agricultural machinery and tools and other innovations for receiving higher yields.

- In the long run, the state-led ‘green revolution’ should facilitate the transition to a high-value agricultural revolution led by the private sector. Due to its large share in the economy and large rural populations, agriculture has an enormous potential to reduce poverty in LDCs by improving food security, providing employment and income and improving livelihoods of the poor.

Science, Technology and Innovation Policy: Key to Sustainable Development⁶

By the United Nations Educational, Scientific and Cultural Organization
(UNESCO)

A. Issues Paper

Introduction

Science and technology are essential for achieving sustainable development and poverty eradication. The World Conference on Science (Budapest, 1999) and WSSD (Johannesburg, 2002) recognized S&T policies as fundamental tools for attaining sustainable development and recommended that developing countries be assisted in integrating sustainable development priorities into national research and development (R&D) evaluation, advice governments on S&T policies as well as the development and reform of national science, technology and innovation systems. UNESCO's Strategy is built around the following mission statement for UNESCO, focusing on themes and areas where UNESCO will and can make a difference through purposeful, strategic action: "As a specialized agency of the United Nations, UNESCO contributes to the building of peace, the eradication of poverty, sustainable development and intercultural dialogue through education, the sciences, culture, communication and information".

Science and technology influence society as never before. Scientific achievements continue to expand the frontier of knowledge at a sustained pace and increasingly contribute to technological progress that affects our ways of living and working. This is giving rise to policy initiatives and reforms that are high on the science policy agenda, requiring exchanges of views and debate at political level.

The Ministerial breakfast examined critical issues such as:

1. *Mobilizing scientific knowledge and policy for sustainable development*, while addressing emerging social and ethical challenges, is UNESCO's central mission in the area of science and Technology:

- Assisting national and local organisms responsible for scientific and technological development and innovation in the elaboration of science and technology (S&T) strategies, policies, projects and evaluations, and in S&T capacity building, aimed at sustainable development.
- Integrating science, technology and innovation (ST&I) policy into the broader framework of major economic strategies and policies, linking ST&I to national economic and social objectives (improved dialogue between ST&I organisms and economic policy decision-makers).
- Maximizing the reach and impact of scientific and technological knowledge and information as tools for participatory development.

- Promoting the ethical dimension of scientific and technological development.

2. *Modalities of action* to fulfill the above; there is need to:

- develop and promote access to scientific and technological research and innovations, including the understanding of the dynamic interactions between Earth systems and society;
- build human and institutional capacities in science and technology at all educational levels;
- collect and analyze data for monitoring and benchmarking;
- identify and disseminate best practices and cooperative approaches, including South-South and triangular cooperation.

UNESCO's role

UNESCO cooperates with Member States in the *formulation STI policies* based on credible information through the collection and use of STI data, with the UNESCO Institute for Statistics (UIS). This involves building of national statistical capacity; training of national personnel, and provision of advice and support to in-country statistical activities.

Focus on Africa

Guided by internationally agreed development goals, including the MDGs, the Organization is focusing on the needs of Africa – reflected in the Decisions and the Declaration on Science, Technology and Scientific Research for Development adopted by the Heads of State and Government of the African Union in January 2007. UNESCO is currently assisting more than 12 African Member States to develop and implement their national STI strategies. UNESCO is also providing policy advice to a number of countries in Asia, South-East Europe and the Caribbean.

UNESCO also take into consideration the inter-relationship and interaction between scientific and *indigenous knowledge systems* as an issue of major importance with respect to natural resource access, utilization, conservation and benefits-sharing - and hence for sustainable development.

UNESCO also further contributed to collaborative efforts by the United Nations system towards the *sustainable management and utilization of natural resources*, especially through established cooperative mechanisms of the United Nations system – such as UN-Water, UN-Oceans, UN Energy and with respect to biodiversity and ecosystems.

UNESCO's comparative advantage lies in the *interdisciplinary* nature of its programmes: Capacity-building, through the integration of research and education is a main feature of such a strategic interface. Special attention is being given to empowering women through access to science and technology information, attracting youth to scientific careers and promoting young researchers. Programmes will reflect and communicate cutting-edge science, including new scientific paradigms, such as socio-ecological resilience and adaptive management of the environment, while also taking into account local and indigenous knowledge. Particular attention is also paid to implementing the Mauritius

Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of SIDS through technology transfer, capacity-building and human resource development.

The contribution of science and technology to sustainable development necessitate greater and more efficient interactions between United Nations Agencies, Governments, public research system and the private sector. There is a need to examine the governance of public research, the role of intellectual property in creating incentives/impediments to innovation.

International Scientific Cooperation for Sustainable Development is an imperative. Several global-scale issues have been identified for discussion and action at UNESCO, in particular climate change, water resources, renewable energies and natural hazards, that call for global scientific partnerships that encourage access to research data from public funding.

B. Summary of discussions

The Ministerial roundtable breakfast took place on 1 July 2008 under the chairmanship of Mr. Koichiro Matsuura, Director-General of UNESCO.

In order to reduce poverty and achieve sustainable economic growth, countries must establish new science and technology policies to create knowledge-based development. In the context of the high-level segment of the Economic and Social Council, there was an urgent need for countries to employ a broad range of national research and innovation policies to strengthen human resource capacity.

It was pointed out that capacity-building efforts may include both human resource development and institution building, and that they may also require improving the performance of policy-making bodies by organisational restructuring, by adopting legal and regulatory frameworks, and by facilitating public-private sector interface and interactions. In addition, measures including establishing scientific institutions, upgrading of science education and integration of science into the national culture are also vital.

UNESCO promotes international cooperation in science in the interest of peace, human rights and development. The Organization provides advice to Member States in the review/formulation of science, technology and innovation (STI) policies. UNESCO has advised or assisted some 20 Member States in STI policies, primarily in Africa but also in Asia and Europe.

Government Ministers have highlighted the need for evidence-based STI policy-making that includes science and technology statistics and indicators such as the number of scientists, availability of research infrastructures and funding. UNESCO is working closely with the Montreal-based UNESCO Institute of Statistics (UIS) and regional economic commissions to train policy makers in collection of science and technology data.

It was also noted that education, research and innovation were the pillars of knowledge, and to that end, the Government of Egypt, in partnership with UNESCO, the African

Union and others, has launched several capacity-building initiatives. One program was designed to urge Egyptian scientists who are working abroad to return to Egypt. In addition, there was a need to develop a focused national strategic plan in that country.

The representative of the government of the United Republic of Tanzania stated that his country puts particular emphasis on strengthening and the promotion of its National Innovation Systems (NIS) as a means to spearhead the national development agenda, and that STI had been included as a component of that country's "Delivering as One" UN pilot program.

It was also noted that earlier this year, UNESCO launched the International Centre for South-South Cooperation in Science, Technology and Innovation (ISTIC) in Kuala Lumpur, Malaysia, which focuses on capacity-building in biotechnology research.

In his closing remarks, Mr. Matsuura assured participants from governments, scientific organizations and NGOs in attendance at the meeting, that UNESCO would continue to play a role as convener of high-level ministerial meetings on STI policies. This was achieved through collaboration with UNESCO-affiliated institutes for research and capacity building throughout the world.

Sustainable Urbanisation: Pro-Poor Service Delivery⁷

By the United Nations Human Settlements Programme (UN-HABITAT)

A. Issues Paper

Sustainable urbanisation is a multi-dimensional dynamic process that includes not only environmental but also social, economic and political-institutional sustainability. It encompasses urban-rural linkages and the full range of human settlements from village to town to city to metropolis. Sustainable urbanisation bridges the crucial linkages between cities and their environment, at local, metropolitan, regional, national and global levels. It provides a framework for dealing with the environmental impact of cities on their hinterlands, including adaptation to and mitigation of climate change. It also provides a platform for managing the economic relationship between town and countryside. Sustainable urbanisation is a concept that goes beyond the traditional arguments about urban-rural dichotomy and recognizes the need to come to terms with rapid urbanisation and urban growth by focusing on the effective management of these processes to achieve functional, resilient and responsive human settlements.

Economic and social dimensions such as poverty and deprivation, governance, gender inequality and social exclusion are central challenges to sustainable urbanisation at all levels. Water and sanitation in human settlements, for instance, are vital for health and for economic prosperity especially for the poor. But if the current inadequate provisions are to be corrected, communities, civil society and local government will have to work together. Local authorities endowed with adequate powers, resources, and operational capacity, combined with empowered communities and other local partners are the key actors in the sustainable urbanisation equation.

The principal challenges to sustainable urbanisation lie in the general lack of planning and management capacities of local governments, lack of financial resources and their ability or willingness to work in partnership with local stakeholders. Meeting this challenge requires a combination of policies and strategies that effectively deal with urban governance and management. Key issues include fiscal and political decentralisation to enable local authorities to fulfil their full roles and responsibilities in spatial planning and management, pro-poor housing and urban development, and the provision of basic infrastructure and services including water and sanitation. These issues call for a variety of responses, but particularly capacity-development initiatives directed at the full range of local and national authorities and their civil society partners.

Embedding sustainable urbanization in national development policies and strategies; preparing and implementing integrated local development plans and strategies; implementing innovative financing mechanisms for investments in affordable housing, basic infrastructure and services including water and sanitation demand capacities at all levels. More diverse and active forms of experience sharing, information exchange, and mutual learning are called for, including effective access to and use of lessons learned from best practices.

Making cities aware of and responsive to their wider social and environmental impacts, especially potentially adverse impacts on surrounding rural areas, is another vital awareness-raising and capacity-building task. Equally important is the development of institutions, procedures and capabilities for communities to become active partners in decisions that affect their living conditions and livelihoods.

Mobilisation of resources, both public and private, including through the financial institutions, is another key challenge that requires concerted actions and capacity building. Recent experiences have shown that with the combination of enabling policies, strengthened capacities and improved governance and accountability, local authorities in rapidly urbanising developing countries are not only able raise revenues several fold but also to leverage these revenues with private and community sector resources to invest in housing, urban infrastructure and basic services, including transport, energy and water and sanitation, as well as to engage in slum improvement. Lessons learned from these policies and practices need to be widely shared and disseminated.

The overall purpose of the Ministerial Roundtable was to provide a forum for the national Governments, local authorities and the civil society in making a forward looking assessment of progress made towards the implementation of the Millennium Development Goal 7 (targets 9, 10 and 11) and other related Global Plans of Action including the Habitat Agenda and the Johannesburg Programme of Implementation (JPOI) with a focus on sustainable urbanization: provision of service delivery.

Specifically, the discussion focused on:

- i. Sharing lessons learnt and identifying challenges that need to be addressed together to fully understand and promote the concept of sustainable urbanization as a means of addressing the social, economic and environmental challenges of rapid and often poorly planned urbanization;
- ii. Exploring practical ways in which the international community can strengthen the capacity of national and local authorities to develop and implement MDG based sustainable urban development strategies and action plans; including slum upgrading and prevention including equal access to land, housing, basic infrastructure and services including water and sanitation and the planning and management of settlements;
- iii. Identifying opportunities and promoting innovative financing mechanisms for pro-poor housing and provision of basic infrastructure and services including water and sanitation and overall sustainable urban development to help prevent the future growth of slums.

B. Summary of Discussions

The roundtable breakfast, held on 1 July 2008, was co-chaired by His Excellency Shaikh Hussam bin Essa Al Khalifa, Adviser to the Prime Minister of the Kingdom of Bahrain and Mrs. Anna Tibajuka, Under Secretary-General and Executive Director of UN-HABITAT.

The discussion commenced with a briefing of participants of the successful ECOSOC Annual Ministerial Review Regional Preparatory Meeting on *Sustainable Urbanization in the ESCWA Region: Challenges and Responses*, which was hosted by the Kingdom of Bahrain from 1-2 June 2008.

This was followed by an update on the preparations for the World Urban Forum (WUF) IV, to be held from 3-6 November 2008 in Nanjing, China. It was announced that the Shaikh Khalifa Bin Salman Al Khalifa Habitat Award, a joint initiative of the Kingdom of Bahrain and UN-HABITAT, would be launched at WUF IV. This initiative promotes the ideals and principles of good governance and equity in housing and urban development policies and practices. Also announced was the winner of the 2008 award to the Green Brigade, a project that has seen some 1700 women mobilized to clean up the streets of Ouagadougou in Burkina Faso.

Participants were provided a background on Sustainable Urbanization: Pro-poor Service Delivery, in particular relating to the implementation of the Habitat Agenda, which encompasses housing/shelter for all and human settlements and urban development. In particular, how the Habitat Agenda focuses on importance of decent shelter and a living environment that is sustainable was highlighted. In addition, UN-HABITAT briefed the meeting on its approved Medium Term Strategic and Institutional Plan (MTSIP) that the agency was implementing.

There was a discussion on climate change, its impact on human settlements and on the pace of urbanization, and the required adaptation to that phenomenon which is a reality of our time and a new challenge which UN-HABITAT was also addressing. Adaptation strategies need, therefore, to be localized given the required settlements adaptation in the cities, towns, communities and households. The global food crisis was another dimension of the challenges faced as the urban poor are most affected by the crisis as they lack the options of rural dwellers.

UN-HABITAT is working in partnerships with financial institutions, NGOs and UN agencies to fulfill its mandate. The Habitat Agenda is about investment programmes to deliver housing and services for which the resources required are considerable and this will require the mobilization of domestic savings. In this regard, within the framework of the Experimental Reimbursable Seeding Operations (ERSO), UN-HABITAT is implementing a number of pilot projects, including the joint private-public initiative with the Global Housing Foundation (GHF), and Merrill Lynch. The main objective this programme is to reach the working poor segment of the world's 1 billion urban slum dwellers and offer them the opportunity to own a quality home that can be financed on a long term basis with a micro-mortgage, and in the process, help develop or revive the local economy. The programme is committed to developing several thousand homes in the Latin American cities (Nicaragua, El Salvador, Costa Rica, Panama, etc.) and beyond. The programme is implemented in collaboration with local government, who provide the land, local property developers and banks.

In Africa, the Women Land Access Trusts have been designed to act as financial intermediary organizations between local income women's housing cooperatives and financial institutions, governments, local authorities and other actors, to access housing finance and to acquire land and housing. In Kenya, UN-HABITAT is working in a

number of areas related to its mandate, including youth. The UN Secretary-General also donated \$100,000 to UN-HABITAT to help train young people living in Nairobi's slums.

The Executive Director of UN-HABITAT thanked the participants for their support to the membership of UN-HABITAT in the Inter Agency Standing Committee (IASC) on Humanitarian Affairs, and noted that it reflected the acknowledgement of the added value that UN-HABITAT brings to sustainable reconstruction efforts. In that regards, she briefed the meeting about UN-HABITAT's reconstruction efforts in a number of countries, including Afghanistan, Pakistan, Sri-Lanka and the Maldives.

The participants congratulated UN-HABITAT on its accession to the IASC, and commended the organization for its important work to help improve the lives of the urban poor. They highlighted the important role that the organization plays in addressing the challenges of sustainable urbanization, and called for the need to address human settlements in a comprehensive manner, in urban as well as rural areas. They also called on UN-HABITAT to address issues related to climate change and the global food crisis. It was mentioned that UNEP was collaborating with UN-HABITAT in a number of areas, and possibilities were being explored to collaborate further on issues such as renewable energy, transport and climate change.

Microcredit, Microfinance, Inclusive Finance: Building on Success for Innovative Solutions for Poverty Eradication⁸

By the United Nations Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP)

A. Issues paper

Background

World leaders have pledged to “make poverty history.” The Millennium Development Goals (MDGs) set globally-adopted targets for reducing extreme poverty by half by 2015. For over two billion people in the world who live on less than \$2 per day,⁹ access to financial products and services can directly provide the tools to protect, diversify and increase their sources of income and to make their own economic decisions for the path out of poverty. The level of outreach by the financial sector also correlates strongly with the level of financial, institutional and infrastructure development across countries. Studies have shown that greater levels of financial outreach are tied to higher levels in standard economic development indicators.¹⁰

Yet, the focus of the measures to address poverty is often on equitable trade, debt relief, investment and increased aid flows. Building broad and deep financial sectors that promote access to finance is a practical development strategy and approach that should be implemented to achieve the MDGs. The critical importance of microfinance to help achieve the MDGs was highlighted at the 2005 World Summit, as well as in the endorsement by the Summit of the Monterrey Consensus of the International Conference on Financing for Development. The Monterrey Consensus underscored the contribution that a range of financial institutions can make in providing financial services to enterprise development and calls for public and private actors to work collaboratively to provide access to all. The final declaration of the Monterrey Consensus puts particular emphasis on strengthening domestic financial sectors to include underserved markets, such as rural areas and women.

Despite the tremendous achievement of microcredit and microfinance, there is still widespread financial “exclusion” in developing countries. The majority of the population in most developing countries has no savings accounts, does not receive credit from formal financial institutions, and has no insurance policies. They seldom make or receive payments through financial institutions. The situation is particularly dire in most Least Developed Countries (LDCs) where often more than 90 per cent of the population is excluded from access to the formal financial system.

The ongoing efforts to fight poverty and to achieve the MDGs are faced with challenges stemming from accelerated and worsening impact of climate change, economic slowdown throughout the world and skyrocketing food and fuel prices threatening the livelihoods of millions. In the face of such adversity, it is indispensable to intensify the

efforts necessary to build broad and deep financial sectors promoting access to finance as a practical development strategy to achieve the MDGs.

The potential of inclusive finance and constraints

Financial inclusion refers to a well-functioning financial sector which provides access to a continuum of financial institutions offering a variety of products and services to all segments of the population at a reasonable cost. An inclusive financial sector should be supported by a sound policy, legal and regulatory framework.

Key bottlenecks limit access to financial services. The 2006 UN publication on *Building Inclusive Financial Sectors for Development* (“Blue Book”), analyses the obstacles to financial inclusion and identifies opportunities for building inclusive financial sectors. The Blue Book was the culmination of a one-year global multistakeholder consultative process led by the Financing For Development Office of UNDESA and UNCDF, with support and input from the World Bank, the IMF, and ILO and IFAD, as well as from other financial sector experts.

According to the Blue Book, key bottlenecks to financial inclusion include:

- i. lack of vision and commitment by policy makers to include the development of inclusive financial sectors as part of their development agenda;
- ii. lack of enabling policy, legal, and regulatory environments to facilitate access;
- iii. lack of strong institutions providing a broad range of financial services at a reasonable cost to serve large numbers of people on a sustainable basis; and
- iv. limited engagement of the private sector in expanding access to financial services and developing new financial products and services that serve poor and low-income people and micro and small enterprises.

Recommendation for Action

The high level UN Advisors Group on Inclusive Financial Sectors was established in 2006 to advise the UN and others in the development of concrete strategies to remove these constraints. As a culmination of its two-year activities, it developed a report¹¹ highlighting encouraging examples, obstacles to further success, and concrete recommendations targeted at governments, regulators, development partners and the private sector, as statements of sound practices for expanding access to financing for the poor. The recommendations are provided on the last page.

B. Summary of discussions

The roundtable discussion, held on 2 July 2008, was co-chaired by Mr. Marc Bichler, Director of Development Cooperation, Ministry of Foreign Affairs of Luxembourg and Chairperson of the United Nations Advisors Group on Inclusive Financial Sectors, and Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Affairs in the United Nations Department of Economic and Social Affairs.

Participants emphasized the importance of building broad financial sectors that promote sustainable access to a range of financial institutions offering a variety of products and

services to all segments of the population at a reasonable cost. Building financial sectors that are inclusive can be an important tool in the fight against poverty and assist countries towards achieving the Millennium Development Goals (MDGs). Equally importantly, participants noted the necessity of an innovative, multi-stakeholder approach that addresses the issues of worldwide financial exclusion and examines the role of key stakeholders, including governments, development partners, private sector actors, and regulators, in broadening access to financial services.

Also discussed was the innovative approach of the UN Advisors Group on Inclusive Financial Sectors (“Advisors Group”), a high-level, diverse group of individuals consisting of representatives from the UN, Bretton Woods Institutions, governments, central banks, microfinance institutions, private sector financial institutions and academia. The Advisors Group was established in 2006 for a two-year term to advise the UN and others on concrete strategies to remove the constraints limiting access to financial services worldwide. In addition to developing tangible outputs and activities targeting the private sector and the regulator community, the Advisors Group has also prepared a report highlighting encouraging examples and concrete recommendations targeted at governments, regulators, development partners, and the private sector for expanding access to financing for the poor. Although the mandate of the Advisors Group is now complete, the individual Advisors will continue to carry forward the key recommendations and messages within their own institutions.

Participants commended the past successes of microcredit and microfinance programmes, but emphasised that what is needed now is more focus on developing the enabling environments that promote increased access to financial services and products. It is important to acknowledge and learn from past successes and to build on them to promote greater access to financial products and services. Currently, 130 million people worldwide are receiving financial services through microfinance institutions, but over 2.5 billion people in the world remain un-banked. We are moving away from an environment characterized by small microfinance institutions, providing simple credit products and limited outreach, to operations on a much larger scale and sophistication. Expanding these organizations will require enhanced technical and management skills to handle the growing numbers and sophisticated needs of potential clients.

Also emphasized was the fact that although different partners are needed and encouraged to be active in this area, at the same time, they are urged to take appropriate actions and policy measures. The promotion of microfinance activities is increasingly becoming a commercial, rather than an aid under-taking, but the UN, Bretton Woods Institutions, governments, and development partners have very important roles to play. Specifically, the role of governments and regulators is critical in building capacity and in creating the enabling environments to realize the benefits of inclusive finance. A lesson from the current global credit crisis is that regulators play a crucial role in creating the framework for the functioning of safe and sound institutions that provide financial services. However, development partners should exercise caution in direct lending to clients. There have been signs that when development partners get directly involved in lending programs, they often distort the market and client incentives.

The direct relationship between inclusive finance and the first two chapters of the Monterrey Consensus (Domestic Resource Mobilization and Foreign Capital Flows) was also highlighted. Inclusive Finance should be considered an additional source of financing in addition to national domestic resource mobilization, official development assistance (ODA), international trade, etc. Due to the efforts of the promoters of microcredit, there has been significant development in microcredit facilities in many countries, but not all. The work of the Advisors Group has focused on a broad range of financial requirements, including but not only microcredit and microfinance, such as savings, insurance, remittances, short and long-term credit, leasing and factoring, mortgages, pensions, and money transfers. The availability of a broad range of financial products and services is important for inclusive economic development and growth. The objective is to feed the recommendations of the Advisors Group into various inter-governmental processes, including a General Assembly Resolution on Inclusive Finance and the Reviewing the Implementation of the Monterrey Consensus (“Doha Review Conference”).

Resource Efficiency in a World of Scarcity and Abundance: Markets and Lifestyle Challenges¹²

By the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP)

A. Issues Paper

Rising levels of production and consumption with associated resource use are a driving force behind many of the world's most pressing environmental threats. The Millennium Ecosystem Assessment concluded that over the past half-century "humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, freshwater, timber, fibre, and fuel." Based on the work of more than 1,360 experts worldwide, this state-of-the-art scientific appraisal found that about 60 per cent of the ecosystem services assessed are being degraded or used unsustainably. The UNEP fourth Global Environment Outlook: environment for development (GEO-4) report confirmed that collectively, humans are over-utilizing the Earth's ecosystem services at a rate that is outstripping nature's ability to renew and replenish them. For example, dependence on and growing requirements for energy are causing significant changes in species and ecosystems due to the search for energy sources and of current energy use patterns.

Doubling or quadrupling economic growth, as some countries aspire to, can simply not be achieved with current consumption and production patterns world-wide. Breaking the link between economic growth and environmental degradation is a necessity. As we see the rise of a growing consumer class in industrializing societies, the challenge more than ever is to move from the throw-away society towards a resource-efficient society. This requires significant factor improvements in national economies of material efficiency, energy efficiency, water efficiency and efficiency in biomass use. Along with these, remains the related challenge to reduce the toxicity intensity of key industry sectors in the national economy.

Resource efficiency is critical in realizing the goal of Sustainable Consumption and Production (SCP). Adding the environmental dimension to the economic concept of efficiency, it requires reducing the environmental impact from the consumption and production of goods-and-services over their full life cycles. By improving human well-being with less material consumption, resource efficiency enhances the means to meet human needs while respecting the ecological carrying capacity of the Earth.

The phrase 'doing more with less' indicates the focus on more outputs with fewer impacts – fewer resources used, less pollution, fewer negative impacts on the conditions of the poor and the most vulnerable. It is through a combination of resource efficiency and resource sufficiency measures that the ultimate goal of sustainable consumption and production patterns can be achieved.

An international process – the Marrakech Process – is underway to develop a global framework that can be used by Governments to shape new policies and regulations towards enabling sustainable consumption and production. The Marrakech Process seeks to elaborate a 10-Year Framework of Programmes on SCP, which will be reviewed by the Commission on Sustainable Development in 2011. The 10YFP is meant to be a Global Framework for Action on SCP, supporting the shift towards resource efficient societies and meeting the goal of decoupling.

In addition, a newly established International Panel for Sustainable Resource Management is focusing on scientific analysis of current trends, and identifying key industry sectors and product/consumption clusters to target for action. Established by UNEP, the Resource Panel aims to provide independent scientific assessment of the environmental impacts due to the use of resources over the full life cycle, and advise governments and organizations on ways to reduce these impacts.

Issues needing particular attention are: (i) challenges governments and other stakeholders face in advancing Resource Efficiency-SCP in different countries in a context of “abundance” versus “scarcity;” (ii) the role of resource intense industries and the private sector in taking action on a commercial basis; and (iii) new perspectives from consumer groups on sustainable lifestyles, including green products and services. Consideration should be given to ways to bring about change in both the “software” (values, norms, innovation) and “hardware” (infrastructure, technology, regulatory and economic frameworks with instruments such as certification, labelling and taxes).

B. Summary of Discussions

The Ministerial roundtable breakfast, held on 2 July 2008, was chaired by UNEP Executive Director Achim Steiner.

Participants offered experiences from their different countries and/or sectors, highlighting progress under the Marrakech Process, and addressing both the “software” (education, sustainable lifestyles, values, norms, innovation) and “hardware” (infrastructure, technology, regulatory and economic frameworks) issues. The Marrakech Process involves global multistakeholders in promoting SCP and elaborating a 10-year framework of programmes to support regional and national implementation of SCP. Participants discussed a wide-range of different aspects of sustainable consumption and production, and in terms of placing them within the sustainable development agenda as well as the current challenges facing the international community – namely climate change, and the food, energy and financial crises. Noting the convergence of the crises facing the international community – food, energy, financial and others, the roundtable considered whether this might be symptomatic of a global crisis in decision-making and governance.

The roundtable noted that the tripod of sustainable development (economic, social and environment) has become a liability to some extent by contributing to the segmentation of otherwise interconnected issues. The impacts of high fuel prices are not only global and national but also impact the individual. For example, in Cambodia high fuel costs and low salaries combine to force teachers in rural areas not to go to work, denying children

the opportunity to learn. The implementation of the millennium development goals could not, therefore, be viewed in isolation from other factors. The UNEP-UNDP Poverty and Environment Initiative, and the UNEP-UNIDO work on sustainable consumption and production were given as examples of initiatives which harness diverse expertise to respond to interlinked sustainable development challenges. UN work in different areas, for example, cooperation between UNIDO and UNEP in the context of the network of cleaner production centres, UN-Energy, and the Global Compact with the private sector, was cited as good SCP examples.

Emphasis was made on the need to focus on small and medium enterprises (SMEs) and environmentally responsible business practices. This should not be just for industry's compliance with regulations, but also because environmental considerations give business a competitive edge. In noting that the "footprints of consumption" are increasing with growing population, economic activity, energy consumption and manufacturing, the roundtable stressed the need for society to be effective, efficient and intelligent in how it uses resources. Production processes should not only factor resource efficiency but also the waste generated and its disposal. For example, the June 2008 ninth conference of the parties of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, highlighted the issue of e-waste, noting that volumes of such waste is being produced and dumped in landfills and is not being reused or recycled. Japan's 3Rs concept – reduce, reuse and recycle – was cited as a good SCP example.

The import of cadmium into the United States was used as an example to highlight the challenge of collecting robust and reliable data on material flows. While data is available in the US on volumes of cadmium imported annually, there is no reliable data on how much of it is imported as components, for example, in electronics or in batteries. Material flow accounts are necessary for effective environmental policies.

The discussion highlighted the need to bridge the gap between technical support and policy discussions, and that education is of strategic importance in sustainable development. Participants considered the challenges that governments and other stakeholders face in changing attitudes to enhance sustainable lifestyles. Changing society's consumption patterns should take into account personal/cultural choices, among other factors. An additional challenge is to educate consumers without overwhelming them with too much information or conflicting information on best options. There is need for long-term investment in sustainable development, well beyond the short- to mid-term considerations of governments whose time horizons are influenced by politics and elections.

Migration, Environment and Climate Change: The Gender Perspective¹³

By the United Nations Fund for Population Activities (UNFPA), the office of the Special Advisor on Gender Issues (OSAGI) and the International Organization for Migration (IOM)

A. Issues Paper

Background

In 1990, the Intergovernmental Panel on Climate Change (IPCC) noted that the single greatest impact of climate change could be on human migration - with millions of people displaced by shoreline erosion, coastal flooding and agricultural disruption. Since then, various analysts have tried to put numbers on future flows of environmental migrants¹⁴ - the most widely repeated prediction being 200 million by 2050¹⁵. Yet, comparatively little attention has been paid to the long-term migration consequences of predictable environmental forces. Both gradual climate change (climate processes) and extreme and sudden environmental events (climate events) will put at risk the inhabitants, including the particularly vulnerable indigenous peoples of coastal regions, low lying islands, and areas susceptible to drought, and may force them to move to safer areas.

Far from being gender-neutral, climate change and environmental effects, especially environmental degradation, will have specific gendered impacts in addition to effects due to geographic location and level of development. As broadly recognized, women and men face specific vulnerabilities and many women live in conditions of social exclusion. Given that climate change disproportionately affects the poor, and that women form the majority of the world's poor, women, in particular rural women, are among the most vulnerable to the effects of climate change. "Women and children are 14 times more likely to die than men during a disaster. In the 1991 cyclone disasters which killed 140,000 in Bangladesh, 90 per cent of victims were women. During Hurricane Katrina in the USA, African-American women who were the poorest population in that part of the country faced the greatest obstacles to survival. During the 2004 tsunami, more women died than men – for example in Indonesia and Sri Lanka, male survivors outnumbered female survivors by 3 or 4 to 1."¹⁶ Broad sampling of surveys showed that gender differences in deaths from disasters caused by climate events are directly linked to women's economic and social rights. For instance, fragile health systems can not cope with emergency situations and put women at an increased risk of disease and illness as their access to health services, including for sexual and reproductive health, decreases. At the same time, women's susceptibility to gender based violence increases as the social fabric of society begins to disintegrate. When women's rights are not protected, more women than men will die from these disasters. In societies where women and men enjoy equal rights, disasters tend to kill the same number of women and men.¹⁷

Environmental degradation as a result of climate change also widens gender disparities. Women, who already carry a disproportionate burden when it comes to taking care of household needs, spend more time looking for fuel and producing food, as resources become scarce. Given women's daily interactions with the environment, they are also at increased risk of health decline, for example, as they become exposed to contamination and water-borne diseases.¹⁸ Women in developing countries are primarily responsible for the production of food, mostly through subsistence forms of production, and are highly exposed to the risks that come with drought and uncertain rainfall. In the agricultural sector, women are the main producers of the world's staple crops, producing 60 to 80 per cent of the food in most developing countries.¹⁹ Research indicates that if global change leads to El Niño-like conditions, crop production in Africa will decline, worsening the living conditions for the women and communities that rely on agricultural activity.

There are cultural practices that accentuate the vulnerabilities of women and therefore have negative consequences for the lives of women and their family. In some societies, when natural disasters strike, women are often handicapped because of their inability to swim or, in some regions, hindered by their dress code. In addition, even in disaster situations women might not be allowed to leave their house without male company.

When environmental stress adversely affects the livelihoods and incomes of rural families, they attempt to address this by having a member of their family migrate to the city to earn an income, they thus shift direct reliance on climate-dependent natural resources. This can have a positive impact as women left behind by male migrants may experience more autonomy and have greater decision-making power because they become *de facto* household heads after their husbands migrate. At the same time, male out-migration can exacerbate the poverty of rural women. The fragile resource base of some *de facto* female-headed units may be compounded by low reserves of labour or the inability to mobilize labour on account of social taboos regarding women's access to machinery and participation in certain agricultural tasks. For example in both Bangladesh and Pakistan, even with male out-migration women may not be able to make major decisions over household production or livelihoods without first obtaining permission from their absent partners or his natural kin.

Climate change and gender inequality are inextricably linked and intertwined. First, gender inequality worsens the societal impacts of climate change while a society's move toward gender equality reduces the societal impacts of climate change. Second, women play an important role in adapting to climate change and climate variability. Experience has shown that women seek solutions to the provision of drinking water, access to health and education, reducing factors of vulnerability of their communities in the face of hydro-meteorological events associated with climate variability, climate change and other potential hazards, establishing networks with other women that increase their social capital. Since many of their daily activities bring them in close contact with the environment, women are often in a better position to detect environmental hazards, to identify those in the community that are most at risk and to suggest what is needed. Thus, women perform a fundamental role in reducing the risk of disaster and searching for strategies of adaptation.²⁰ However, women tend to be underrepresented in decision-making on sustainable development, including on climate change, and this impedes their ability to contribute their valuable perspectives and expertise on the issue.²¹

B. Summary of discussions

The Ministerial roundtable breakfast, which took place on 2 July 2008, was co-chaired by Ms. Rachel Mayanja, United Nations Special Adviser on Gender Issues and Advancement of Women, Ms. Ndioro Ndiaye, Deputy Director General of International Organization for Migration and by Ms. Mari Simonen, Deputy Executive Director of United Nations Population Fund.

Discussions began with the highlighting of a few critical points from the issues paper, including that the single greatest impact of climate change and environmental hazards, which were not gender neutral, could be on human migration. It was noted that the 1991 cyclone in Bangladesh and 2004 tsunami in Asia, where male survivors outnumbered female survivors by 3 or 4 to 1, served to clearly show the disparity between men's and women's economic and social rights which can be exacerbated by certain cultural practices. Women also tended to be underrepresented in decision-making on sustainable development, including on climate change which impeded their ability to contribute to these issues.

Emphasis was also placed on the impact of climate change and environmental degradation on population displacement and the need to consider women's specific needs in this context. There was a need for further evidence-based and policy oriented research in light of the broad range of displacement and migration figures which cited that by 2050 25 million to 1 billion people could be displaced as a result of climate change and environmental degradation. The wide range of situations from sudden humanitarian internal- or cross-borders migration to long term, structural migration patterns would have to be envisaged and planned at the national, regional and international levels and had to incorporate a gender perspective. In situations of forced migration, as in any crisis and emergency situation, women and girls and men and boys were exposed to different types of risks and trauma, in particular gender-based violence, human trafficking for sexual purposes or for labour exploitation and involvement in criminal activities. Those elements, if already well-known, were sometimes overlooked in the sense of urgency in relief operations.

Participants acknowledged that the role of women in climate change was usually not present in discussions at the UN, partly due to the fact that the Kyoto Protocol and other treaties on the issue did not include a gender perspective at all. A disconnect existed between gender equality advocates and others in the climate change/agricultural and resource management groups. While activists had been recognizing the relevance of women in the rural sector, as primary farmers and managers, there was still bureaucratic resistance to acknowledging the role of women as key players in the agricultural context. This was especially prominent during the recent FAO summit on food security (6 June 2008) where the role of women was omitted from discussions. To that end, the importance of engaging the agricultural sector and technical organizations including FAO was noted. This would include urging collaborative action and involvement on women and the environment, particularly on agriculture, so as to not lose opportunities that are being presented throughout the current climate change discussions.

However, the discussion on climate change and environmental hazards should not be limited to agriculture, but encompass the whole scope of related issues. One such suggestion was to advocate for UNFCCC to include a gender analysis in the criteria for countries' adaptation plans. There was still much to be done to clearly articulate the linkages between gender equality and climate change, that while climate change did not necessarily cause gender inequalities, it certainly exacerbated them.

At the international level, it was critical to include and highlight the importance of the gender perspective during the debates at the General Assembly and ECOSOC. The upcoming Global Forum on Migration and Development (GFMD) in Manila was another venue in which to raise women's rights and underscore the linkages between migration, gender and climate change. While it was important for United Nations agencies and civil society organizations to make statements related to gender equality and climate change, it was imperative for Member States themselves to make public statements on these issues so as to encourage national ownership while also encouraging other member states to take similar action. It is of particular importance considering the current challenges in political will and commitment. International debates on climate change were critical entry points for women especially since they have been adapting to climate change on the ground even before the issue was labeled as such.

At the field level, agencies such as IOM, UNFPA, and UNIFEM played a key role and looked forward to ensuring support of commitments made by Member States in these areas. The summary of the Commission on the Status of Women's debate on emerging issues²² was considered useful in raising awareness at the community, national and global levels. The need to have the voices of women and children on the ground heard both in the wake of natural disasters and climate change, as well as in the negotiation of adaptation strategies and action plans was stressed. The importance of creating an enabling environment for women's groups was highlighted as an important next step in order to empower them to advocate these issues. Financing for women's organizations remained a challenge as women's issues often tend to be 'pushed back'. The importance of having a space for dialogue, fostering ownership, and South-South exchange were also iterated.

Finally, participants acknowledged good practices in government policies that mainstreamed gender issues, especially with strategic guidance and coherence. Regarding a suggestion that adaptation funds might provide an opportunity for targeted women specific initiatives, some governments were wary of imposed conditionality which might contradict cultural norms and national ownership. On the other hand, with women constituting roughly half of the population, some questioned how such a focus could be deemed an imposition. Participants suggested that when such funds were negotiated, an interchange of ideas and commitments should be made rather than impositions or conditionality. When faced with competing priorities for basic needs, Member States needed capacity to enable them to focus and invest in critical gender equality programming.

The discussion concluded with a reiteration of the importance of taking action at the local, national and global levels, including at the ECOSOC High Level Segment, GFMD event and other respective forums. The types of challenges that were associated with

gender issues, as well as the importance and need for dialogue were duly noted. Also highlighted was the discussion's focus on fostering ownership versus conditionality and the necessity of incorporating the gender equality, climate change and migration nexus systematically rather than as an afterthought. Finally, it was noted that partnerships were critical in having an impact and that all agencies looked forward to collective action and working together.

Recommendations

- A brief flyer should be drafted to enable easier messaging and advocacy where three key points and three corresponding questions for each point would be articulated. For example, the first point could state that women are overwhelmingly affected by natural disasters, supplemented by evidence of real numbers. Secondly, that climate change policies as they relate to education, water and agriculture – must have the involvement and consideration of women's needs and rights. Thirdly, the impact of climate change resulting in displacement and migration should be addressed distinct from regular migration.
- A representative from UNFPA and/or IOM should use the opportunity of the GFMD to highlight the importance of these issues, in particular underscoring the need for action at the global and grassroots levels.
- Advocacy activities should be centered on the notion that everyone will benefit, with resources benefiting both men and women.

Countdown to 2015: Millennium Development Goals and Action for Results for Children²³

By the United Nations Children's Fund (UNICEF)

A. Issues Paper

Background

More than halfway to 2015, the Millennium Development Goals (MDGs) track record is mixed. The Secretary General stated that, in the countdown to achieve the MDGs, many countries remain off track, especially in sub-Saharan Africa and many of the least developed countries. Even some of the fast growing countries of South Asia face serious challenges in improving nutrition. In Latin America, middle-income communities have struggled to wipe out pockets of extreme poverty. The challenge of meeting the MDGs is being heavily threatened by the recent rise in food prices and this crisis threatens to undo the gains made in fighting hunger and malnutrition.

Key objectives

1. Review progress made towards achieving the MDGs, how this has impacted the lives of children and identify challenges.
2. Highlight the importance of systematic and sustained tracking and review of progress towards the MDGs - in terms of achievements, trends and shortfalls.
3. Address how national programmes need to focus on best practices to achieve and sustain the gains made taking into account emerging issues such as rapid urbanization and food security.
4. Support south- south cooperation as a means of building capacity quickly to reach the goals and foster sustainable partnerships.

Issues for discussion

UNICEF reports that, for the first time, the number of children worldwide dying before reaching their fifth birthday dipped below 10 million, to 9.7 million. Between 1960, when approximately 20 million children did not live past the age of five, and 2006, child mortality rates fell by 60 percent. Despite this progress, more than 26,000 children under age five still die every day from largely treatable and preventable causes.

Much of the developing world is not on track to meet international goals for child survival. Millennium Development Goal (MDG) 4 — which calls for a two-thirds reduction in child mortality rates (from the 1990 level) by 2015. Considering the 60 poor countries that account for 93 percent of global child deaths, only seven are on track to meet MDG 4.

To rapidly achieve the health-related MDGs, community-based, integrated health approaches need to be scaled up particularly in Africa, which includes life-saving interventions such as immunization, insecticide-treated mosquito nets, vitamin A

supplementation, and education for mothers on the importance of exclusive breastfeeding and good hygiene

Gender equality plays a central role in achieving the MDGs and is receiving insufficient attention. The powerful links between productivity and girls' and maternal health and girls' education are too often negatively impacted by women's lack of empowerment. Better-educated girls marry later. They have fewer, better-educated, healthier children. If girls are kept out of school or educated women are not allowed to fully participate in the labour market, these potential gains are squandered. If public investments in basic infrastructure, for example safe water, ignore women's needs, women may be condemned to spend hours a day fetching water when they could be participating more productively in society.

If developing countries do not adapt to climate change they could face serious setbacks to achieving poverty elimination goals. The countries of South Asia and sub-Saharan Africa could be particularly vulnerable. A 2008 study released in the journal *Science* reported that climate change could damage crops in these regions in the next 20 years with Africa losing more than 30 percent of its maize by 2030, and South Asia could lose more than 10 percent of its rice, millet and maize.

Two groups of countries require urgent changes in course directions. First are countries that are performing poorly—primarily the least developed countries. Second are countries progressing well towards the Goals but with deep pockets of poor people being left behind. Within countries, the richest quintile is gaining access to key interventions more quickly than the poorest. Reducing both types of inequity – between regions and within countries – is crucial for achieving the Millennium Development Goals.

One of the most effective means of accelerating progress is in promoting stronger South-South cooperation. This model has now linked multiple stakeholders, including Government, private sector, universities, research and development institutions and civil society organisations. The rich diversity of the South provides an excellent opportunity for encouraging mutually beneficial partnerships to work towards poverty reduction

UNICEF is a lead UN agency for monitoring policy results with respect to the situation of children and women. UNICEF, with its UN partners, assists countries in collecting and analyzing data, helps develop methodologies and indicators, compiles and maintains global databases, and distributes and publishes statistics. UNICEF is also one of the lead agencies responsible for the global monitoring of the child-related Millennium Development Goals.

B. Summary of discussions

The Ministerial roundtable breakfast, which was held on 2 July 2008, was co-chaired by H.E. Mr. Anders Liden, Permanent Representative of Sweden to the UN, Mr. Nicholas Alipui, UNICEF Director of Programmes and Mr. John Rwangombwa, Secretary General Finance and Planning of Rwanda.

There was general recognition that the MDGs presented a huge challenge and that UNICEF had a pivotal role to play. There was also support voiced for UNICEF

leadership as a centre of knowledge on children and to serve as a network on best practice for evidence-based results. Partnership with close links to private sector was stressed as a resource not only for funding but also for their knowledge and capacity to respond to emerging issues climate change and food prices. There was an overarching question raised (and echoed in the Council's Annual Ministerial Review) on how to balance the competing need for increased investment in production capacity versus the equally pressing priority for more investment in social services.

There were four *Key steps provided to achieve the MDGs*:

- Advocate for the acceleration of coverage of the key interventions. This may mean an acceleration by a factor of 10 if we are to achieve the goals
- Support to health systems – Africa, for example needs a million more health workers. This would require an increase in investment of US\$ 5 billion.
- Intersectoral actions to bring together, health, nutrition, education, climate change, gender etc strategies together for holistic approaches to programming.
- Increase partnership and networks of knowledge/communities of practice, such as lessons from South America in social policy development, China and India in scaled-up accelerated interventions, etc.

Specific issues were raised on the need for more UNICEF involvement in nutrition security to re-focus on strategy and measures that can address the national impact of the radical increase in food prices, especially in countries already hard hit by long term malnutrition and drought. There was need expressed to support an intersectoral and integrated package approach to providing services for child and maternal health accompanied by improvement of basic health infrastructure, in light of the large scale funding available for HIV. The UNICEF Programme Director provided an update to participants on \$50,590,000 just released by UNICEF to support Nutrition security and assist vulnerable populations in 43 countries most at risk from the impact of food price increases; and the funds will allow for better country support in Nutrition from 5 Regional Offices. The decision on the 1st batch of countries was made in close consultation with WFP and WHO as part of an initial response.

There was a clear impact on UNICEF work from messages generated during this event. Denmark and Tanzania directly credited the information they received at the UNICEF hosted breakfast in their official statements to ECOSOC, when both countries urged for more investment to reduce Maternal Mortality. In addition feedback from participants-the Head of Save the Children – US and the Executive Vice President of Becton Dickinson, who is also the Chair of the US Fund Board of Directors, both indicated strong interest in the issues raised, especially for an intensified use of private sector capacity and knowledge in the response to achieve the MDGs.

In conclusion, the event proved to be an effective tool in gathering diverse viewpoints and issues from experienced partners on action needed and underway to achieving the MDGs in face of the current environmental and economic challenges. It also demonstrated the level of interest in action and results for children and the need for analysis and response to the questions posed on what the implications of emerging issues

such as food prices and food availability, as well as emergencies etc. could have on child protection and the protective environment. A key question would be “what will be the implications for the required investment for a protective environment for children?” if we see more resources move from the social sector to the production sectors.

Notes

- 1 From the Ministerial roundtable breakfast, “Addressing the food crisis through agri-business development”, 1 July 2008.
- 2 From the Ministerial roundtable breakfast, “Safe drinking water for all-Investing in the MDGs”, 1 July 2008.
- 3 “Safe Drinking Water” UNICEF/WHO Joint Monitoring Programme, 2001.
- 4 From the Ministerial roundtable breakfast, “The impact of climate change on food security in the LDCs”, 1 July 2008.
- 5 From the World Food Summit in Rome (1996).
- 6 From the Ministerial roundtable breakfast, “Science, technology and innovation policies: Key to sustainable development”, 1 July 2008.
- 7 From the Ministerial roundtable breakfast, “Sustainable urbanization: Pro-poor service delivery”, 1 July 2008.
- 8 From the Ministerial roundtable breakfast, “Microcredit, microfinance, inclusive finance: Building on success for innovative solutions for poverty eradication”, 2 July 2008.
- 9 World Bank data (2004a) estimates that 2.8 billion people in the world live on less than \$2/day. [data used in the MDG indicators]
- 10 Beck, Thorsten, Asli Demirguc-Kunt & Maria Soledad Martinez Peria, “Reaching out: Access to and use of banking services across countries,” World Bank, September 2005.
- 11 Draft, Microcredit, Microfinance, Inclusive Finance: Building on Success (Recommendations from the Work of the UN Advisors Group on Inclusive Financial Sectors).
- 12 From the Ministerial roundtable breakfast, “Resource efficiency in a world of scarcity and abundance: markets and lifestyle challenges”, 2 July 2008.
- 13 From the Ministerial roundtable breakfast, “Migration, environment, climate change: The gender perspective”, 2 July 2008.
- 14 In the IOM’s Council discussion Note on Migration and the Environment (2007), it defined environmental migrants as “persons or groups of persons who, for compelling reasons of sudden or progressive changes in the environment that adversely affect their lives or living conditions, are obliged to leave their habitual homes, or choose to do so, either temporarily or permanently, and who move either within their country or abroad.”
http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/microsites/IDM/workshops/evolving_global_economy_2728112007/MC_INF_288_EN.pdf
- 15 Stern, N. (Ed.) (2006). *The Economics of Climate Change: The Stern Review*, p. 3, Cambridge University Press: Cambridge.
- 16 http://www.genderandenvironment.org/admin/admin_biblioteca/documentos/Factsheet%20Adaptation.pdf

- 17 Neumayer, E. and Pluemper, T. (2007). "The Gendered Nature of Natural Disasters: The Impact of Catastrophic Events on the Gender Gap in Life Expectancy, 1981-2002"; <http://ssrn.com/abstract=874965>
- 18 UNFPA (2001). State of World Population: Footprints and Milestones, Population and Environmental Change.
- 19 FAO, Gender and food security: agriculture. Fact sheet. Available from: <http://www.fao.org/gender/en/agri-e.htm>
- 20 Carvajal-Escobar, Y., Quintero-Angel, M., & García-Vargas, M. (2008). Women's role in adapting to climate change and variability; <http://www.adv-geosci.net/14/277/2008/adgeo-14-277-2008.pdf>
- 21 United Nations Commission for the Status of Women (2008), Emerging issues: Gender perspectives on climate change: Moderator's summary. New York: United Nations. Available from: <http://www.un.org/womenwatch/daw/csw/52sess.htm#themes>
- 22 CSW (2008), *Emerging issues: Gender perspectives on climate change: Moderator's summary*. Available from: <http://www.un.org/womenwatch/daw/csw/52sess.htm#themes>
- 23 From the Ministerial roundtable breakfast, "Countdown to 2015: The MDGs and action for results for children", 2 July 2008.

Chapter 9

CONTRIBUTION OF NON-GOVERNMENTAL ORGANIZATIONS

Overview

This year, Non-Governmental Organizations in consultative status with the Economic and Social Council (ECOSOC) made a significant contribution through multiple channels. One of them was the great variety of events organized to discuss and provide new perspectives on the 2008 theme of the Council “Implementing the internationally agreed goals and commitments in regard to sustainable development”. This work was facilitated by the NGO Section, Office for ECOSOC Support and Coordination in the Department of Economic and Social Affairs (DESA), while the coordination of NGO participation was managed through the outreach activities of this section as part of the United Nations Informal Regional Network (UN-NGO-IRENE).

In the area of sustainable development, the role that civil society has in mobilizing resources, developing new practices and working in conjunction with multiple stakeholders to support the achievement of the internationally agreed goals, including the Millennium Development Goals (MDGs) is well known. This important contribution was manifested through a number of events put together by the DESA/NGO Section and other partners, while allowing the exchange of experiences, engaging in productive debate and channelling the contribution of NGOs to the 2008 High-Level Segment (HLS) and the second Annual Ministerial Review (AMR).

The ECOSOC NGO Forum held in the United Nations Headquarters in New York on 4 April 2008, not only served as a preparatory event for 2008 ECOSOC-HLS, but also became a platform for NGOs to share their best practices and success stories, as well as the launching of the Best Practices Network, an electronic platform developed by the DESA/NGO Section for continuous sharing of these experiences.¹

Also focused on the 2008 ECOSOC theme, the concept of Green Olympics, advocated and practiced by the organizers of the Beijing Olympic Games, was inspirational for the Third Conference of UN-NGO-IRENE/Asia Pacific on 28-30 April 2008 in Beijing. With the special support of the China NGO Network for International Exchanges (CNIE), the meeting explored the path in which the NGO Sector can become more effective in the implementation of the MDGs, and translated the discussion into specific recommendations to 2008 ECOSOC-HLS. The corresponding statement is included in this chapter.

On more specific areas, NGOs also gathered to discuss specific issues requiring immediate attention such as global food crisis. In the context of the Secretary-General’s call for a strategic approach and immediate action, civil society actors gathered in a Civil Society Forum on Global Food Crisis in New York on 16 May 2008 to define short, medium and long-term actions that need to be taken in order to tackle this problem. The contribution statement to ECOSOC is attached.

Following the successful results obtained in Geneva last year, the 2008 AMR Innovation Fair provided an informal mechanism for exchanging information and best practices in the area of sustainable development, as well as fostering an environment for partnerships aimed at achieving the MDGs. This event attracted the participation of 11 NGOs, each of whom presented specific innovative products and projects to showcase in the field of sustainable development. These organizations were: *All India Shah Behram Baug Society, Sulabh International, Global Foundation for Democracy and Development, Shumei International, Yachay Wasi, Inter-Press Service International Association, Adventist Development and Relief Agency, Women's Federation for World Peace International, International Movement ATD Fourth World, Help Handicapped International and Legion of Good Will.*

The Innovation Fair, organized as a side event to the AMR, allowed organizations to showcase their work on a very wide range of areas within sustainable development, such as new practices on water management, eco-friendly solutions on sanitation, empowering farmers on natural agriculture, successful projects to combat malaria, efforts to raise awareness on climate change, innovative programmes to support entrepreneurs and small businesses, successful initiatives to achieve sustainable employment, environment education, strategies for protecting endangered species, among others.

Similarly, the Civil Society Development Forum in New York, 27-29 June 2008, gathered representatives of member organizations of the CONGO to discuss and draft recommendations for ECOSOC member governments. Their conclusions, ranging from topics such as the food crisis and energy prices through climate change and the global financial turmoil, are included in this chapter.

Empowering civil society to contribute to the ECOSOC inter-governmental process is not only done through events but also through training and local capacity building. Based on this principle, this year saw the creation of the World's First Regional Centre of Excellence on MDGs. Located in the Asian Institute of Technology (AIT) in Pathumthani, Thailand, the Centre is dedicated to the promotion and achievement of the MDGs in South-East Asia through education and training. The high-level event was co-organized by the DESA/NGO Section, the United Nations Institute for Training and Research (UNITAR) and AIT. United Nations Secretary-General Mr. Ban Ki-moon sent a special audio visual remark on 25 March 2008. The corresponding statement is included in this chapter.

Recommendations made by the Association of Southeast Asian Nations and the Asian Institute of Technology at the ASEAN region round table on the theme “ECOSOC promotion and achievement of the Millennium Development Goals through education and outreach”

24-25 March 2008, Bangkok

Statement

We, the participants of the ASEAN Region Roundtable held on the 24 and 25 March 2008 at the Asian Institute of Technology (AIT), commit ourselves to assist in achieving all the Millennium Development Goals (MDGs) by the year 2015.

Having considered the Millennium Declaration signed in 2000 with its 2001 Roadmap to achieve the UN MDGs, and their importance in Capacity-building, Education and Training, and taking into consideration ECOSOC’s new features of the Development Cooperation Forum and of the Annual Ministerial Review, including its 2008 theme of *“Implementing the internationally-agreed Goals and commitments, in regard to sustainable development”* aiming for a full and timely implementation of the goals and targets of the major United Nations Conferences and Summits, we have adopted the following:

1. We support the creation of the ASEAN Regional Centre of Excellence on MDGs at the Asian Institute of Technology (AIT), Bangkok that will promote, educate and train on MDGs throughout the region. In close collaboration with actors in the field, the Centre will develop pedagogic modules, educational materials and tools for MDG training in government and academic institutions, civil society, and NGOs complementing similar initiatives by other Centres of Excellence on MDGs operating elsewhere in the world.
2. We recognize the achievements of the ASEAN region in economic and social development, and the diversity in development levels of countries in the region, and we reaffirm our commitment leading to substantial progress towards reducing poverty and hunger to support ASEAN countries needing assistance in achieving the MDGs.
3. We stress promotion of gender equality and empowerment of women as a cross-cutting issue throughout all MDGs, viewed within the human rights perspective and linked to the Millennium Declaration. It is interconnected and inter-related with other documents such as Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), Beijing Platform For Action (BPFA), the Paris Declaration on aid effectiveness, and other international commitments.

4. We acknowledge the importance of environment as a foundation for sustainable development and equitable human progress as being promoted by all the MDGs.
5. We reiterate the importance of MDG provisions for global partnership for development, including the 2007 Ministerial declaration of the High-level segment of ECOSOC, and we resolve to enhance partnerships at international, regional and sub-regional levels throughout the ASEAN region across a broad range of stakeholders for effective MDG advocacy and implementation, including through corporate social responsibility (CSR).
6. We emphasize the importance of offering relevant and innovative pedagogical approaches adapted to the MDGs in partnership with governments, NGOs, civil society, private sector, and international agencies. In this regard, we commend the dialogue that took place at the Roundtable on the Syllabus and Module development for full-fledged teaching and training materials on the MDGs to be evaluated for accreditation by UNITAR and offered by the ASEAN Regional Centre of Excellence on MDGs.
7. We are grateful to the UN Secretary-General for supporting this initiative. We also salute the efforts of UN-NGO-IRENE, Asian Chapter of the Conference of NGOs (CONGO), and AIT for making possible the cooperation and implementation of this pioneering initiative.

Promote Sustainable Development and Build a Harmonious World

Recommendations made by the Third Conference of UN-NGO
IRENE/Asia Pacific²

28-30 April 2008, Beijing

Statement

- Taking note of the fact that sustainable development is one of the 8 Millennium Development Goals (MDGs) set forth by the United Nations and that implementing the internationally agreed goals and commitments in regard to sustainable development has been affirmed as the topic for the Annual Ministerial Review of this year's ECOSOC High-Level Segment;
- Stressing that although the MDGs have become the goals of all efforts in all levels of development, continuous and sustained advocacy is needed to urge all stakeholders, including the United Nations, national and local authorities, the private sector and the civil society, both in the developed and developing countries, to recommit themselves to focusing upon the most vulnerable peoples and environments globally in their collaborative efforts to enhance sustainable development;
- Believing that sustainable development requires not only balance between economic growth and social progress free from threats to safety and security, but also harmony between man and nature, and that to work for sustainable development is the common desire and obligation of the whole international community;
- Acknowledging the concept of Green Olympics advocated and practiced by the organizers of the Beijing Olympic Games, whereby the idea of sustainability is incorporated into the preparation of the Games, as a major contribution to both the MDGs and the Olympic spirit;
- Appreciating all the efforts made by Chinese and participating world NGOs in promoting sustainable development, especially the efforts of UN-NGO-IRENE/Asia-Pacific through the UN DESA and CNIE for holding this conference on such an important topic, which provides an opportunity to bring NGOs in the region together with other regional coordinators, enabling an environment conducive to the development of an effective NGO sector that will be able to take up a larger challenge in implementing the MDGs;
- Congratulating the UN-NGO-IRENE Coordinators for their reports of activities and achievements, and encouraging them to pursue their initiatives for the implementation of their outreach programmes and to evaluate and monitor concrete results;

We, delegates to the Conference, would hereby put forth the following recommendations to this year's High-Level Segment of UN ECOSOC:

1. A more socially just and environmentally rational international economic order will be an important guarantee for realizing sustainable development. The international community, therefore, should steer economic globalisation towards the direction of shared prosperity, establish an open and fair regime of world trade and promote a rational flow of factors of production around the globe, so as to create necessary conditions for development of all countries.
2. The United Nations, with its unique advantages and status, should play a greater role in promoting sustainable development by enhancing the awareness and commitment among the international community and bringing all stakeholders closer together for dialogues and cooperation in this respect.
3. Governments in the world should incorporate sustainable development into their respective national development strategies and adopt relevant policies accordingly. Developed countries should undertake additional actions to help developing countries to build their capacity, allowing for more sustainable development. Meanwhile, developing countries should explore diversified modes of sustainable development in keeping with their own national conditions and levels of development.
4. The private sector should develop a greater sense of corporate social responsibility and ensure that while they pursue economic profits, they bring about social and environmental benefits as well. Multi-nationals in particular should take tangible measures and commit themselves to ensuring sustainable development of the world at different stages and in all respects.
5. The civil society should increase its active participation as partners and important contributors in the drive for sustainable development, whereas its influence in this area should be better appreciated by the international community. While overseeing the performance of inter-governmental organizations, governments in the world and the private sector in implementing sustainable development strategies, non-governmental organizations need also to build their own capabilities in order to play a better part in this process.
6. UN-NGO-IRENEs in different regions should strengthen educational and training programmes within the scope of the UN MDGs and of sustainable development in order to share the best practices to all NGOs worldwide, particularly those in developing countries.
7. The United Nations, through the Office of the Special Advisor to the UN Secretary-General on Sports, Peace and Development, should take the Beijing Olympiad as an opportunity to launch a publicity and education campaign on sports for sustainable development and foster a green culture to guide the implementation of the MDGs in the long run with emphasis on the role of the youth.

Being convinced that sustainable development has a great deal to do with the well-being of humanity and the harmony of the world, NGOs represented at this Conference will all stand ready to make relentless efforts for the achievement of sustainable development in due time as specified in the MDGs not only in the Asia-Pacific region but in the world at large.

Civil Society Forum on the Global Food Crisis³

New York, 16 May 2008
United Nations Headquarters

The challenge of the global food crisis is intimately connected with human rights, climate change mitigation and adaptation, implementation of the MDGs, sustainable development and ways of life, increases in the quality and quantity of ODA, debt cancellation, fair trade and peace and security. We need to transform poorly-equipped institutions of global governance into more supranational-type institutions, so that humanity has at its disposal the political instruments and mechanisms capable of dealing effectively with all global challenges.

Recommended Actions:

Short Term:

- Increase food aid and improve efficiency by allowing for local purchase when appropriate and relaxing country-source and shipping requirements.
- Implement low-interest lines of credit, budget support to help governments provide food and cash assistance: The developed countries, the UN, the World Bank and the IMF need to assist countries in mitigating this crisis through a variety of means, encouraging larger percentages of national budgets to be devoted to agriculture, financial support to governments overburdened by carrying out targeted social protection programs, policy support with the goal of strengthening social protection structures as well as structures that will facilitate significantly increased agricultural production, targeting most assistance to low income farmers.
- Removal of commodity export and import restrictions, except if such restrictions are needed to ensure basic domestic food security.

Medium Term to long-term:

1. Improve agricultural production in the developing world through reversing the marginalization of smallholder and subsistence farmers. National governments, UN organizations and bilateral donors need to provide targeted services to raise productivity, particularly of staple crops. Types of support for farmers of all land sizes that are crucial for progress to take place are as follows:
 - Agricultural education – both formal and informal to instruct farm families about yield increasing technologies, use of fertilizers and pest control, post-harvest management, obtaining and saving the most appropriate seeds, business management and marketing, and agricultural adaptation to climate change and impacts.
 - Land tenure and credit infrastructure development – both formal banking and micro-credit schemes to provide farmers with affordable capital to purchase the necessary inputs and equipment to maximize yields.

- Rural infrastructure development – in the form of better farm to market roads, irrigation systems will go a long way in making it easier for farmers to utilize inputs but also enable them to get their crops to market.

All these agricultural support mechanisms must be geared up to support farmers of entire nations, particularly women and marginalized groups. Government services supplied to farmers in the developing world should be a human right.

2. Well thought through use of technologies: UN organizations should carefully consider the pros and cons of different technologies being proposed for increasing agricultural production. For instance, most genetically modified crops are best suited to large-scale, input-intensive mono-cropping schemes and are not designed to meet the needs of most small-scale farmers in the developing world. Other concerns with GM crops include increased herbicide use, herbicide-resistant weeds, higher prices for GM seeds, seed patents that promise to restrict or eliminate the traditional practice of seed-saving, and the GM seed-sterility technology known as Terminator. Technologies that are appropriate to the needs of small-scale farmers should be emphasized instead, including ecological and low-input farming practices.

Biofuels have great potential to meet energy needs in a way that is climate friendly. As we move forward with this technology, we need to make sure that it does not come at the expense of the world's food supply or poor people. Developed countries should reconsider plans for ethanol production in view of latest warnings raised on adverse impacts on food production and relatively low green-house gas reduction.

3. Fully engaging civil society: In developing national and global policy reforms, the UN, World Bank and IMF need to build formal, accountable, participatory and transparent structures that allow civil society to be fully and meaningfully engaged in the decision making process and implementation. Particular consideration should be given to grassroots associations including farmers' cooperatives and other community based organizations, which can be important mechanisms for strengthening the voice of civil society. Many such institutions exist in developing countries but require further capacity building to strengthen their impact.
4. Fulfilling aid commitments to assist developing countries to achieve the Millennium Development Goals. Developed countries must decisively embrace MDG Goal 8 and provide, without further delay, the necessary funding to allow developing countries achieve the MDGs.
5. Dismantling trade distorting subsidies in developed countries and improving market access for developing country agricultural exports to spur sustainable agricultural production in developing countries.
6. Helping developing countries adapt to climate change: Work is urgently needed on agricultural and infrastructure adaptation to climate change, particularly in the poorer countries which will disproportionately suffer the effects. Climate change is contributing to the current crisis, and can be expected to have a greater effect in the future.

Civil Society Development Forum⁴

New York, 27 – 29 June 2008
United Nations Headquarters

We, representatives of member organizations of the Conference of Non-Governmental Organizations in Consultative Relationship with the United Nations (CONGO), convened in New York from 27 to 29 June 2008. We discussed issues germane to the agenda of the High-Level Segment of ECOSOC's Substantive Session, to be held in New York from 30 June to 3 July 2008. Our conclusions and recommendations were prepared for consideration by ECOSOC member Governments in the course of their deliberations and decision-making at this Session.

1. We gathered at a time of confrontation with a series of crises – food crises – a manifestation of failed sustainable development policies, leading to riots in many countries; energy prices driving the cost of food, other commodities and services even higher; climate change having adverse effects worldwide; increasingly destructive weather patterns and occurrences; more extensive desertification, increased drying up of critical water resources, rising sea levels threatening the survival of populations on low-lying coastlines and islands; global financial turmoil and uncertainty; and the many ongoing conflicts around the world.

In light of the above,

2. We request Governments to substantially increase their investments in the sector of agriculture, to strengthen the position of small landholders, to stop the non-sustainable import of products grown far away and of genetically modified products, and to enhance the use of local and indigenous agricultural knowledge, practices and inputs.
3. We urge that agricultural workers have the opportunity to work in cooperatives, to earn the benefits of the value they add to the processing of food products, and to have access to capacity-building opportunities. Land ownership is crucial to agricultural workers. We encourage land redistribution measures to make this possible. In particular, land tenure rights for women must be legally recognized and enforced.
4. We reaffirm the human right to food and recognize the importance of food sovereignty. We urge Governments and civil society to reach agreement and to implement national level food sovereignty strategies and measures.
5. We note the pervasive role of international financial institutions in influencing national development strategies. We urge these institutions to redesign their strategies with a view to assisting countries in defining their priorities at home by using home-grown expertise and products of these countries. WTO's role in negotiations on agricultural matters should be re-examined. Measures should be

taken at multilateral and bilateral levels to prevent speculative trading of staple food items and energy fuels.

6. National decision-making should respect human rights, encompassing food security considerations, especially those affecting children, and should contribute to the eradication of poverty and famine.
7. We recognize the need to end lifestyle trends embracing high resource, high energy, and other unsustainable consumption patterns. We urge governments to collaborate with civil society in halting and reversing these trends.
8. We strongly encourage corporate social responsibility that contributes to participatory and sustainable development, that precludes the exploitation of natural resources, that helps end the violation of human rights, and that promotes the human right to decent work and to adequate compensation and social protection.
9. We recognize full employment and decent work as essential to poverty eradication and in achieving sustainable development. We call on Governments to integrate the decent work agenda in international and national development strategies.
10. We assert that the achievement of sustainable development goes with the realization of human rights. We urge Governments and intergovernmental entities to include the realization of human rights in their development strategies. They must act in accordance with the mutually reinforcing relationship of human rights and sustainable development and the interdependence and equal importance of civil, political, economic, social and cultural rights.
11. We support a holistic approach to human rights and call on multilateral and bilateral donors to reinvigorate and not renege on this approach. We strongly urge UN agencies, Funds and Programmes to continue the explicit reference to human rights in Common Country Assessments, UN Development Assistance Frameworks and other UN development planning instruments.
12. We regret the absence of consensus with regard to the concept of development as a human right. We urge Governments to accept the mutual obligations implied by the human right to development, which is part of the Internationally Agreed Development Goals (IADGs) that include sustainability of development.
13. We ask that the realization of human rights be introduced as a guideline for the attainment of the Millennium Development Goals (MDGs) and Poverty Reduction Strategies (PRS), as well as in the mitigation of and adaptation to climate change, especially ensuring that the most vulnerable and marginalized populations receive priority attention.
14. We call on Governments to ensure the genuine participation of people experiencing extreme poverty in the development, implementation and evaluation of policies and programmes for sustainable development and poverty eradication.
15. We note the legitimate demand of aid recipient countries to be given more “policy space” in determining the use of aid. This demand should not be used as a pretext to

disregard the obligations these countries have accepted to have women, men, youth and children realize their human rights and attain sustainable development.

16. We support efforts in the preparation of the Accra High-Level Forum on Aid Effectiveness to devote more attention to gender equality, human rights and environmental sustainability. We call for a more balanced economic policy agenda that promotes participatory and gender responsive budgets as tools for including the voices of the poor and of women in fiscal policy. Specifically, we urge Governments, and public and private entities, to support gender mainstreaming and promote gender balance in the agricultural sector.
17. We recommend to public institutions the development and publicizing of human rights instruments for sustainable development and of best practices in good governance. These mechanisms must demonstrate close cooperation and linkages among local, national, regional and international levels.
18. We assert that effective sustainable development should be people-centred. This requires effective local capacity building, capitalizing on the innate strengths and resources of the people themselves.
19. We call on Governments to bring youth and children into the discussion and action around sustainable development. Programmes for formal and non-formal education and training, including educator/teacher training, must be designed, established and sustained at every developmental and educational level.
20. Finally, CONGO and its member NGOs wish to reaffirm to Governments that implementing Internationally Agreed Development Goals, including the MDGs, is a vital long-term process. Its success can only be ensured in conditions of just and democratic governance within a holistic human rights framework and in the adherence to and the realization of the rule of law. National governments based on these inalienable principles should know that they can count on the support of organized civil society, nationally and internationally.

Notes

- 1 This platform can be accessed through the following link: <http://esango.un.org/irene/>
- 2 The Third Conference of UN-NGO-IRENE/Asia Pacific was held in Beijing on the 28th of April, 2008 on the theme "Sustainable Development and Green Olympics. The Conference, co-sponsored by China NGO Network for International Exchanges (CNIE) and the NGO Section of UN Department of Economic and Social Affairs (DESA), co-organized with Beijing NGO Association for International Exchanges, was attended by officials from UN DESA and UN Department of Public Information together with over 200 representatives of about 100 non-governmental organizations from India, Indonesia, the Philippines, Thailand, Bangladesh, Viet Nam, Singapore, Turkey, Brazil, the United States of America, the United Kingdom of Great Britain and Northern Ireland, South Africa, Malaysia, the Netherlands and China. Coordinators of UN-NGO-IRENE from Latin America, Eastern Europe, South Asia, East Asia and

Africa took the opportunity of this Conference to convene a planning coordination meeting.

- 3 This document was presented to the United Nations General Assembly on the Food Price Crisis on 19 May 2008.
- 4 The Civil Society Development Forum is the third in a series organized by the Conference of Non-Governmental Organizations in Consultative Relationship with the United Nations (CONGO) prior to the ECOSOC High-Level Segments. The 2008 Forum consists of a component in New York, with a follow-up component in Geneva later in the year to examine action taken and further action required.

Annex 1

REPORT OF THE SECRETARY-GENERAL***Annual Ministerial Review: Implementing the
Internationally Agreed Goals and Commitments in
Regard to Sustainable Development****Summary**

The three pillars of sustainable development — integrating economic growth, social development and protection of the environment — have generally been adopted in principle but often not in practice. Some approaches offer benefits in all three areas, but there are often costs and trade-offs involved. Striking an optimal balance among the three areas remains a central challenge of sustainable development.

While some progress has been achieved in building the economic and social pillars of sustainable development, greater efforts are still required. The long-term sustainability issues of climate change, deforestation, biodiversity and marine resources, whose situation is deteriorating, are in particular need of attention.

There is an urgent need to effectively implement the global consensus on sustainable development, particularly Agenda 21, the Johannesburg Plan of Implementation and Millennium Development Goal 7. To that end, the present report makes recommendations in a number of areas, including strengthening governance, creating markets for sustainable development, strengthening global cooperation, increasing financial assistance and promoting transfer of technology.

I. Introduction

The concept of sustainable development, which integrates the three pillars of economic growth, social development and protection of the environment, includes a long-term perspective to ensure the well-being of future as well as present generations. It is also participatory, to reflect the perspectives of all parts of society. It was at the core of the United Nations Conference on Environment and Development, held in 1992 in Rio de Janeiro, and has subsequently been reaffirmed in the United Nations Millennium Declaration, the 2002 Johannesburg Plan of Implementation, and other international agreements. All countries have committed themselves to the principles of sustainable development.

Largely owing to strong global economic growth in recent years, particularly in developing countries, there has been progress in many countries in reducing poverty and developing policies that integrate economic growth, social equity and environmental protection. Awareness and public support for sustainable development are greater than

* See the document E/2008/12

ever before. We have today a financial, technological and policy basis for stronger commitments to realizing sustainable development in practice as well as in principle. Yet implementation of those commitments has been weak and slow.

Recent years have seen substantial increases in the prices of natural resources, including food, oil and metals, due in part to increasing demand in rapidly growing developing economies, and in part to policies in developed countries, such as promotion of biofuels. Those trends have impacted on development plans and prospects in many developing countries. In all countries, commodity price instability will complicate and make the planning and policymaking processes more unpredictable. Policymakers in developed and developing countries are faced with the challenge of safeguarding robust economic development amidst serious risks of global recession. For developing countries, maintaining strong economic growth, while not the only condition, is essential to supporting their endeavours and generating the necessary resources to achieve the Millennium Development Goals. For the advanced countries, too, continued expansion of economic activity is essential for tackling long-term challenges such as those posed by an ageing population, and new investments are needed to address the challenge of climate change. The current global financial instability and the expected impacts on economic growth will make the process of moving towards sustainable development even more challenging.

Such trends underline the need to conserve natural resources, to use resources more efficiently, to shift to less resource-intensive lifestyles, particularly in the developed countries, and to improve agricultural productivity, particularly in developing countries with food deficits.

II. Progress in sustainable development

Progress towards the internationally agreed development goals, including the Millennium Development Goals, has been mixed. Detailed information on progress towards the goals is contained in the annual report of the Secretary-General on the work of the Organization (A/62/1), which contains a section on the Millennium Development Goals. In addition, there has been little substantive progress in addressing the long-term issues of environmental sustainability (for a review of progress focusing on sustainable development goals, see, for example, E/CN.17/2008/2).

With respect to poverty (Goal 1), the proportion of people in the developing world living in extreme poverty is estimated to be 19 per cent (2004) (see table 1), down from 29 per cent in 1990. With current trends, the poverty rate is projected to decline further to 12 per cent by 2015, in which case the target of halving the poverty rate would be surpassed. Poverty reductions have been achieved largely through broad-based economic growth (see table 1), but also through anti-poverty policies. However, in sub-Saharan Africa, most countries are not on track to meet the target (see table 2).

There has been notable progress towards universal primary education (Goal 3), particularly in sub-Saharan Africa, but for poor rural children in Africa and south Asia, access to education remains limited. Child mortality (Goal 4) has also declined in all regions, with good progress towards the goal of two-thirds reduction in Asia, Latin

America and the Caribbean, and North Africa. In sub-Saharan Africa, progress in reducing child mortality has been very slow.

There has also been progress in reducing HIV/AIDS mortality and the number of new cases each year, as well as in reducing malaria through new anti-malarial drugs and bednets (Goal 6).

The number of people with access to improved drinking water in developing countries has increased from 71 per cent of the population in 1990 to 80 per cent in 2004, on track to meet the global goal of reducing the proportion of those without coverage by half by 2015 (Goal 7). However, greater efforts are required in sub-Saharan Africa, where coverage has increased from 49 per cent to 56 per cent during the same period, far below the rate needed to meet the target. Progress towards the goal of reducing by half the proportion of people in developing countries without access to adequate sanitation has been somewhat slower, with coverage increasing from 35 per cent in 1990 to 50 per cent in 2004.

In recent years, concerns over climate change have grown, energy prices have increased, and alternative energy technologies have become more viable. However, global greenhouse gas emissions continue to rise, and few countries have achieved significant reductions in accordance with Kyoto commitments. Rapid growth in the production of ethanol and biodiesel has contributed to higher food prices, forest clearing for agriculture, and other negative impacts, without leading to substantial reduction in overall greenhouse gas emissions.

At the same time, there are about 1.5 billion people in developing countries without access to electricity and 2.5 billion people who are dependent on traditional biomass fuels for cooking and heating, severely limiting the development possibilities for those people.

The world population is projected to increase to about 9 billion by 2050, and almost all of the increase will be in the cities of the developing world. With current trends, there will be two billion people living in urban slums by 2030, as compared to one billion people now. Hence, improving the lives of slum dwellers (Goal 7) is one of the most challenging goals. Few developing-country Governments can afford the massive investments necessary to upgrade slum housing and infrastructure. In general, therefore, there is a need to support and assist slum dwellers in improving their housing, their livelihoods and their conditions. Where slums are located in dangerous or unsuitable locations, arrangements are needed to move the residents elsewhere. Providing access to affordable and safe drinking water, sanitation, electricity, transportation and communications for slum dwellers is also essential.

Feeding 9 billion people in 2050 without destroying forests and biodiversity is a growing challenge. About 800 million people who are now undernourished will need more and better food, and as income increases, the consumption of meat, dairy products and fish will increase, all of which increase demand for land and energy. As a result of the growing demand, higher food prices are causing hardship for low-income families, and pressure to clear forests to expand cropland is increasing. The challenge is further complicated by the fact that climate change is projected to reduce crop yields in the tropics and subtropics. While consumption and production have become more resource-

and energy-efficient over the years, improvements in efficiency have been more than offset by increases in the volume of consumption. Consumers, with increasing incomes, have been buying larger houses, with more heating and air conditioning, more and larger appliances, larger and more powerful cars, and more consumer goods in general, and they have been travelling more. High-income consumers, mostly in the developed countries, are continuing to set lifestyle and consumption standards that are increasingly unsustainable. The earth cannot support 9 billion people with consumption and production patterns like those prevalent in developed countries. The challenge is to move towards consumption and production patterns that can provide everyone with a good standard of living with greatly reduced use of fossil fuels, less depletion and degradation of natural resources and a clean, healthy environment.

Inequality remains a major problem and an obstacle to sustainable development in almost all countries. In some countries, there have been substantial increases in inequality in recent decades. Unemployment, underemployment and poor working conditions are pervasive in most developing countries. Discrimination and social exclusion based on race, sex, ethnicity, religion, language and other factors exist in almost all countries, in some cases threatening social stability. Some of those issues are not adequately recognized in current international development goals and targets such as the Millennium Development Goals. However, they form an essential part of the United Nations development agenda and should be pursued in tandem with Millennium Development Goals.

In some countries, violent civil conflict has caused serious setbacks to sustainable development, with increases in poverty, hunger and disease, economic decline, destruction of natural resources and infrastructure, and declines in health care, education and other social services, as well as deaths and injuries from the conflict. In many cases, natural resources have helped drive conflicts. International efforts to promote sustainable development in all countries can help reduce the likelihood of conflict, and peacebuilding in war-torn countries can help re-establish effective governance and sustainable development.

III. Policymaking for sustainable development

A. Policy integration

Integration of the three pillars of sustainable development into national planning and policymaking is a difficult process. Governments divide their functions into different ministries and agencies, and those ministries and agencies inevitably function with a substantial degree of independence, each pursuing its specific objectives with its specific expertise.

An essential step in integrating sustainable development objectives and policies has been the creation of environmental ministries and agencies in almost all countries since the first United Nations environment conference in 1972, and in many other countries since the holding of the United Nations Conference on Environment and Development in 1992, to complement the existing ministries concerned with economic development, industrialization and social issues. That has been accompanied by the elaboration of national environmental legislation and regulation in all countries, and the elaboration and

ratification of a growing number of international environmental agreements. That governmental and intergovernmental action has been complemented, and to some extent driven, by the proliferation of civil society organizations concerned with sustainable development at the national and international levels, and by the introduction of sustainability issues into educational curricula. In many developing countries, however, progress has been limited by the lack of financial, technical and administrative resources for monitoring and enforcing compliance with regulations.

If different ministries or agencies end up working at cross purposes, development will be hindered and public resources will be wasted. Objectives of economic growth and industrialization, poverty reduction and social equity, and environmental protection are quite likely to compete, at least in part, if there is no mechanism for reconciling them. In some cases, competing objectives may be foreseen in advance and reconciled in a forward-looking integrated strategy, but in many cases, trade-offs will emerge and will need to be addressed through a continuing coordinating mechanism.

There are a variety of mechanisms for policy integration. First and foremost, the highest levels of Government, with consultations among ministers and other senior officials, set the overall policy framework and reconcile conflicts among agencies. To provide a framework of general development objectives and priorities to guide the work of ministries and avoid inconsistent policies to the extent possible, many countries have development plans elaborated through consultations among agencies, and in some cases with participation of non-governmental organizations or other groups.

With the recognition in the 1990s that traditional development strategies and policy coordination mechanisms had not adequately taken account of the importance of social development, resource conservation and environmental protection as essential elements of long-term development, international efforts have been made to assist countries in preparing integrated development plans combining economic, social and environmental objectives. In 1992, Agenda 21 called on all countries to develop national sustainable development strategies and national Agenda 21s. In 2002, at the Johannesburg Summit, it was agreed that all countries should prepare national sustainable development strategies by 2005.

The United Nations has defined a national sustainable development strategy broadly as an interactive and iterative process of planning, participation and action, in which the emphasis is on managing progress towards sustainability goals. It is intended to institutionalize processes for consultation, negotiation, mediation and consensus-building on priority issues where interests may differ. In Costa Rica, for example, an annual state of the nation report for sustainable human development is prepared under a steering committee consisting of representatives of Government and civil society, with international support, in order to monitor progress towards sustainable development.

Over 70 countries have elaborated and are implementing national sustainable development strategies including economic, social and environmental objectives and policies. In some countries, all three aspects are covered by the overall national strategic plan, while in other countries there are specific sustainable development strategies or plans or national Agenda 21s. In some countries, all aspects of development are covered in the poverty reduction strategy.

Box 1
South Africa's sustainable development strategy

Following the end of apartheid in 1994, South Africa established sustainable development as a constitutional right in the 1996 constitution. In 2004, a community outreach and stakeholder participation process was organized, leading to a framework for a national sustainable development strategy, which was approved by the cabinet in 2005, with the first draft of the strategy itself published in April 2006. Based on the strategy, a detailed action plan is to be developed, as are provincial strategies for sustainable development. Particular areas of action as part of the strategy include the South African Cities Network, improving access to affordable energy services, increasing energy efficiency, development of a national strategy for the Kyoto Clean Development Mechanism, development of a national biodiversity strategy and action plan, and technology development, including development of nanotechnology for health applications. The private sector is being engaged, particularly with respect to climate change, poverty reduction and black economic empowerment.

Countries receiving assistance from the World Bank and International Monetary Fund, including debt relief under the Heavily Indebted Poor Country Initiative, have been required, since 2000, to prepare Poverty Reduction Strategy Papers. While the focus on poverty, participation and a long-term perspective in Poverty Reduction Strategy Papers correspond to some important aspects of sustainable development, the papers often do not include resource conservation and environmental protection, although the World Bank has been promoting the inclusion of environmental issues into Poverty Reduction Strategy Papers, particularly as they relate to poverty.

Using another approach to integrating sustainability objectives into economic decision-making in both the public and private sectors, several countries have introduced or raised taxes or charges on fossil fuel consumption, pollution or waste disposal, often with the revenues used to reduce taxes on employment or subsidize energy efficiency or renewable energy. Many European countries have done that under the concept of green tax reform. A number of developing countries have introduced pollution taxes or charges on industries with high environmental impacts. Such internalization of the environmental and social costs of less sustainable activities can help integrate environmental and social factors into economic decision-making through market forces, without complex policy negotiation, regulation and enforcement processes.

Integrating economic, social and environmental objectives can also be supported by appropriate indicators and statistics used both to define development objectives and to monitor progress. There is a need to strengthen indicators and compile data sets that integrate two or three dimensions of sustainable development, such as the health costs of

air pollution, the economic value of watershed protection and biodiversity, and the social value of natural ecosystems. More complex indexes combining a number of variables, such as the United Nations Development Programme Human Development Index, stocks of natural, human and social capital, the genuine savings index, and green Gross Domestic Product can also be valuable in monitoring trends in human well-being and identifying unsustainable trends that may provide short-term benefits at the cost of long-term economic, social and environmental capital.

B. Governance and participation

Government leadership, integrated strategic planning and effective regulation and enforcement are critical to sustainable development. In many countries, goods and services central to sustainable development, notably energy and water supply are provided by public agencies. Other resources, such as forests and minerals, may be Government-owned while developed by industry under Government regulation. Promoting sustainable development therefore requires strengthening the administrative capacity of Government and public sector services.

Participation of civil society, local authorities, the private sector and the general public is also critical to sustainable development planning and implementation. Many activities or decisions that are critical to sustainable development, such as private investment, employment, or consumer choices, may be influenced by national Government policies, but are largely determined by other actors and sometimes by individuals. Municipal and other local authorities have often taken the lead in addressing sustainable development issues, developing and demonstrating policy solutions which may later be taken up by central Governments.

In addressing some sustainable development issues, Governments may prefer to avoid regulation and enforcement and instead rely on voluntary action by business, consumers or others. While experience generally indicates that voluntary programmes have rather limited effects, they may be useful in introducing ideas for action that can later be developed into mandatory regulations. When regulatory measures are introduced, measures to encourage public compliance may be a useful complement to legal enforcement, which is sometimes unpopular. Governments can work with business associations, non-governmental organizations, the media, and educational institutions to define cost-effective sustainable development programmes and promote public support and voluntary action.

Among the Millennium Development Goals, improved sanitation, in particular, requires broad participation. In rural areas, where the problem is greatest, sanitation generally cannot be provided through a centralized, top-down approach by the national Government. Furthermore, Government responsibility for sanitation is often divided across ministries responsible for water, health and rural development, with no clear lead ministry. Rural and peri-urban sanitation requires construction and maintenance of facilities by households and regular hygiene practices by everyone. Nonetheless, a high-profile national sanitation campaign with active support from a number of agencies can provide an essential stimulus for mobilizing households and changing behaviour. The community-led total sanitation approach used in Bangladesh, India and Pakistan, with support from the United Nations Children's Fund, has proven effective. The Government,

in cooperation with communities and non-governmental organizations, educates people to stimulate demand for sanitation services, provides information on technological options, and supports community financing mechanisms. It is then up to each household to choose and build the facilities appropriate to its needs.

Women have a particularly important role in moving towards sustainable development, in part due to their predominant role in childcare, food preparation and maintaining family health. There is evidence that in many societies women are more likely than men to use family income for nutrition, health care, education and other family poverty-reduction purposes. A number of countries, including Brazil, Chile and Mexico, have established programmes providing cash benefits to low-income families, through the mother, on condition of school attendance, periodic health check-ups and education in health and nutrition. In Mexico, the *Oportunidades* programme, after a successful pilot phase, has been expanded to provide assistance to most low-income rural families in the country, and has increased school enrolment and reduced poverty and child illnesses. The *Bolsa Familia* programme in Brazil and the *Chile Solidario* programme, similar in design, have also proven effective in reducing poverty and inequality. In another approach, Mali has used rural school lunch programmes to increase school attendance and improve nutrition of children in low-income families.

Community organizations, with support from national Governments and sustainable development organizations, can be major players in promoting sustainable land use in rural areas. In semi-arid Rajasthan in northwest India, villages have been organized to manage water resources and land use in ways that dramatically increase agricultural productivity. Re-establishing traditional rainwater harvesting techniques and rebuilding water-conservation structures, such as embankments, reservoirs, underground water tanks, groundwater recharge reservoirs and irrigation canals have turned barren degraded land into productive fields and pastures through collective efforts. Similar programmes include a rural advancement and construction programme in Bangladesh, a rural programme support network in Pakistan, and a population and community development action programme in Thailand. Successful programmes have had strong community organization and leadership and were supported by Government policies and technical and financial support. Effective community efforts have often built on traditional social systems. In some areas, Governments, in cooperation with community organizations, have supported public works projects using local labour paid the minimum wage as an anti-poverty measure that also improves infrastructure, including roads and water and soil conservation structures.

Community forestry, with the support of Government forestry agencies, and often building on traditional forest management systems and cultures, has been effective in a number of Asian countries in protecting forests while improving livelihoods for local communities, including indigenous communities. Government policy support is essential for such programmes, as the community must have legal access to the forest and rights to manage it and harvest forest products, rights which are often controlled by the national Government. The communities can also protect the forests from illegal logging and clearing, providing essential support to Government forest agencies that lack adequate means to enforce forest protection law. Cambodia, India, Nepal and the Philippines, for example, have passed laws that allocate forest use rights and management authority over

particular forest areas to particular villages. International assistance has provided financial and technical support and training for such programmes. Forest products, as well as small-scale sustainable agriculture and sustainably harvested wood for building materials, provide livelihoods for the community.

Local water user associations, working with and supported by Government irrigation and water management agencies, can provide a cost-effective means for distributing irrigation water efficiently and equitably and maintaining the systems. Government agencies can support such arrangements by ensuring the water supply for the system, assisting with organizing and training and providing access to credit for improving the irrigation infrastructure. In some countries in Asia, the association members do most of the work themselves, particularly in communities with traditions of such cooperation. In Latin America, farmers' associations commonly hire professional staff to do the technical management, while the association makes decisions concerning distribution, fees, maintenance and arrangements with Government agencies.

Because large cities are centres of population, industry, wealth and consumption, they experience greater environmental and social stress than do less populated areas. However, they are also centres of education, research and organized civil society and often take the lead in addressing issues of sustainability. Many cities in both developed and developing countries are developing and demonstrating innovative approaches to problems of sustainable development ahead of their national Governments, with Curitiba, Brazil, as a pioneer in the 1970s. As cities often face common problems different from those of rural areas and small towns, municipal authorities have formed international networks for exchange of experience, such as the Local Governments for Sustainability and the African Sustainable Cities Network. Those efforts can be supported by national Governments and can inform national policymaking. Successful programmes and policies can be publicized and replicated in other cities. Much of the action required to ensure sustainable consumption and production, including conservation of energy and water, must be undertaken by individual consumers and households, with encouragement and incentives from Governments. It is generally very cost-effective to reduce household energy consumption by limiting space heating and cooling, insulating walls and windows, installing energy-efficient lighting and appliances, reducing automobile use and undertaking a variety of other energy conserving behaviour. While Governments can set standards for housing construction and for energy efficiency of appliances and vehicles, they cannot police household behaviour, which largely determines household energy consumption. However, Governments can work with power utilities, environmental organizations, community organizations, and the media to try to influence consumer behaviour through such mechanisms as peak-load pricing, prices that increase with the volume of consumption, incentives for efficient appliances and information on practices that save both money and energy. Governments can also promote access to energy- and resource-efficient goods and services and set an example through their own consumption of goods and services.

C. Creating markets for sustainable development

The sustainable development perspective emphasizes that natural ecosystems are not simply areas to be protected for their inherent value and long-term sustainability, but also

that they provide valuable economic and social services. Forests and wetlands, for example, absorb heavy rainfall to prevent flooding and filter water to reduce sediment and pollution and protect water quality downstream, and they also preserve biodiversity. However, the economic and social benefits of those services are generally not valued by existing markets, and landowners who own forests or wetlands have little economic incentive to protect the ecosystems. An emerging tool to protect such valuable areas is called payment for environmental services, whereby beneficiaries of environmental services pay those who own and protect the ecosystems providing the services. In Costa Rica, for example, a water utility pays landholders in the upper watershed to protect the forested slopes that moderate run-off and limit erosion and sedimentation, thus protecting the quantity and quality of the water supply for downstream users.

The largest markets for environmental goods and services are the emissions markets based on cap and trade regulations on pollution emissions. Those trading systems, developed initially for lead in gasoline and sulfur dioxide from electricity generating plants, succeeded in making emission reductions more acceptable to industry, in reducing emissions faster than regulations required and in reducing the cost of achieving the overall reductions. As a result of that success, similar cap and trade systems were developed for greenhouse gas emissions under the Kyoto Protocol. While most markets for environmental services are national — or regional in the case of the European Trading System for greenhouse gases — the Kyoto Clean Development Mechanism represents the first global market for environmental services established by inter-governmental agreement. Such carbon markets, including international voluntary markets, will be considered in the next section on long-term sustainability.

Box 2**International payment for Iwokrama rainforest services**

An agreement was announced in March 2008 to create a system for international payment for environmental services from the Iwokrama Rainforest Reserve in Guyana. The Iwokrama Reserve consists of a million acres of pristine rainforest that has been set aside for research, but financial support from donors has been declining. The area has rich biodiversity and the rainforest provides climate stability to tropical South America. The pioneering agreement is between the Iwokrama Reserve and Canopy Capital, of the United Kingdom of Great Britain and Northern Ireland, which is partly owned by the non-governmental organizations Global Canopy Programme as well as private investors. Canopy Capital will provide funding for management of the Reserve in return for a share of rights to ecosystem services with a view to prospective markets for credits for such services. With additional investments, the Reserve could be financially self-sustaining by 2010 on the basis of such payments. Guyana is also seeking funding for other parts of its rainforest.

International markets for other global environmental services, such as protection of forests and biodiversity, have not yet been developed on an inter-governmental basis, in part because of the difficulty of quantifying and commodifying the services. However, international voluntary carbon markets, while small compared to the Kyoto markets, do include protection of natural forests, thus supporting biodiversity conservation as well as mitigating climate change.

Markets have also been created for renewable energy credits. Some countries require electric power utilities to derive a specified proportion of their power from renewable energy sources, referred to as renewable portfolio standards. To provide flexibility, utilities can meet the requirements either by generating electricity themselves from renewable sources or by buying renewable energy credits from others. Any entrepreneur or landowner can therefore set up a wind turbine, solar energy generator, or other renewable energy source, use or sell the power, and sell the renewable energy credits to a utility, thus subsidizing the power. While new renewable energy systems in developing countries can qualify for Clean Development Mechanism credits provided that they require additional funding in order to be viable, such systems cannot be used to meet renewable energy requirements in developed countries. Creating an international market for renewable energy credits from developing countries for use in developed-country markets could help mobilize additional funding for renewable energy in developing countries, although arrangements would need to ensure that such markets did not simply duplicate the Clean Development Mechanism mechanism.

In some countries, utilities are required to offer consumers net metering, encouraging private investment in local small-scale renewable power generation by ensuring that

consumers who invest in their own energy generating systems can buy power from the grid when they need more than they can generate, and sell power to the grid when they generate more than they need. That is particularly important for solar and wind energy systems that generate power only intermittently.

Box 3
Promoting renewable energy in Germany

In Germany, electric utilities are required to purchase electricity from renewable power generators at favourable feed-in tariffs, encouraging private investment in renewable energy, either by industry or by households. As a result, renewable energy sources now provide 14 per cent of electricity generation (2007), surpassing the European goal of 12 per cent for 2012 and ahead of schedule on the goal of 20 per cent by 2020. Germany is now the world leader in wind energy generation, with more than one third of installed global capacity and a large share of the global market for generating equipment. Germany is also a leader in solar power, for both water heating and electricity generation.

Subsidies can be used to build markets for new sustainable technologies, both by internalizing the environmental and social benefits of the new technologies and by providing financial support for technologies that need further development and scaling-up to enable them to become more cost-competitive with conventional technologies. Sustainable technologies can also be supported by reducing subsidies for competing conventional technologies. Cost recovery by energy and water utilities, for example, provides incentives for improving energy and water efficiency and developing new, more efficient technologies, as well as providing revenues to supporting efficiency improvements and expansion of energy and water services to those currently without access.

Government and local authorities can also build or strengthen markets in support of sustainable development through public procurement policies. Many Governments have established policies requiring or favouring procurement of energy-efficient buildings, environmentally friendly vehicles and products, electricity from renewable sources, safe and environmentally friendly cleaning products and sustainably produced food. On the social side, public agencies can offer, and require that their contractors offer, good wages and working conditions and have non-discriminatory employment policies. They can also discriminate positively in favour of traditionally disadvantaged groups to promote social and economic equity. Such policies not only provide benefits from public activities, but also set an example for private procurement and stimulate markets that might otherwise be slow to develop.

Public pressure can also promote markets for sustainability, supporting Government efforts. In recent years, there has been a rapidly growing demand in some developed countries for energy-efficient buildings; high green ratings have become a prestige symbol for corporate headquarters. The Green Building Council in the United States of America has established a Leadership in Energy and Design (LEED) Green Building Rating System with guidelines and certification of buildings in silver, gold and platinum categories. LEED-certified buildings have been built or are being built in 41 countries, including Brazil, China, Guatemala, India, Japan, Mexico and Sri Lanka, as well as the United States of America.

Insurance systems are another way of integrating risk, including environmental risk, into economic decision-making, giving an indication of which risks are worth taking and which are not. Drought can be a major setback to agricultural and rural development, not only reducing food supply and income, but also destroying longer-term assets such as livestock, and forcing families to use savings and sell land and other assets, pushing them into poverty, from which it is very hard to escape without assets. In recent years, pilot projects in a number of developing countries have shown that smallholders are prepared to buy drought insurance, and administrative systems have been developed that make it financially viable to make such insurance available commercially, and even to spread the risk through international reinsurance markets. A key step has been the development of rainfall or other weather monitoring systems that provide measurements that relate closely to crop losses but are simple, robust, inexpensive and trustworthy, and do not require assessment of each farm's losses. An example is a project in Ethiopia, supported by the World Food Programme, the World Bank and the United Kingdom of Great Britain and Northern Ireland, which has been demonstrated on a pilot basis and is now being expanded to cover 6.7 million people.

D. Ensuring long-term sustainability

Climate change poses a major sustainable development challenge, as it will affect agriculture, water resources, food security, coastal zone development, natural disasters and other aspects of sustainable development. While some impacts of climate change are already appearing, the major impacts are expected to occur over 50 to 100 years or more. Addressing those impacts will require efforts to mitigate climate change by reducing greenhouse gas emissions and also to adapt to the climate change that will occur. Mitigating climate change will involve substantial costs, including near-term costs, in return for benefits that are mostly long-term. Convincing people that substantial changes will be required in prices and consumption patterns in return for future benefits that they do not fully understand is a huge challenge. Furthermore, because the impacts are global rather than local, each individual, each community, and even each country, benefits very little from its own actions, but mostly from the actions of everyone else. As a result, that long-term global problem is not yet being effectively addressed. Very few countries are on track to meet even the very limited targets of the Kyoto Protocol, much less the large reductions in greenhouse gas emissions required to effectively stabilize the global climate in the long term. Substantial use of the flexibility mechanisms of the Kyoto Protocol, including the Clean Development Mechanism, will be needed for the developed-country parties to meet their 2008-2012 Kyoto obligations, but they are not sufficient to meet the long-term need for climate stabilization.

It has been estimated that reducing greenhouse gas emissions to three quarters of current levels by 2050, thereby stabilizing atmospheric greenhouse gas concentration at about double the pre-industrial level, could cost on the order of 1 per cent of global GDP per year, or about \$500 billion per year. The estimate depends on which policies are used, when they are introduced, and the extent to which costs of alternative energy technologies decline. Conceivably, the costs could be several times as high, or they could be lower, if energy efficiency and conservation pay for themselves through energy savings. If greater levels of emission reductions are required, as some climate experts believe, the costs could be substantially greater.

Reducing greenhouse gas emissions will require new technologies for energy efficiency, together with regulatory standards or incentives for the adoption of those technologies. Such standards or incentives in developed countries can constitute an obstacle to exports from developing countries. Technical and financial assistance will be needed for developing countries to improve manufacturing capabilities to meet the new, stricter requirements of developed country markets to mitigate climate change.

Adaptation will also be expensive, but the costs are harder to estimate, and will be more closely tied to the benefits across both space and time. Adaptation costs are expected to start at a lower level in the short to medium term, then rise rapidly in the long term as climate change and its impacts increase. For modest impacts, many adaptations, such as changing agricultural practices to adapt to higher temperatures and reduced water supplies, and building sea walls to protect coastal areas against rising sea levels, will be cost-effective, but that may not be true for larger impacts.

The Kyoto Clean Development Mechanism provides an innovative way to reduce the cost of meeting the Kyoto obligations in developed countries and supporting developing countries in climate change mitigation. Developed countries have greater historical responsibility for greenhouse gas emissions and for the resulting climate change, and can afford the long-term research and development required to address climate change and its impacts. In 2006, \$4.8 billion was transferred to developing countries through the Clean Development Mechanism to help reduce greenhouse gas emissions.

While most global greenhouse gas emissions come from fossil fuels, about 18 per cent derive from clearing tropical forests for conversion into cropland, pasture or tree plantations, and other land-use change. While some studies indicate that such projects could be very cost-effective for reducing greenhouse gas emissions, they are currently not eligible for funding through the Clean Development Mechanism. In the context of discussions about a post-2012 climate change regime, a mechanism for promoting and supporting programmes for reducing emissions from deforestation in developing countries is being considered. Agreement on such a mechanism could provide valuable additional financial support for sustainable development in developing countries as well as for climate change mitigation.

In addition to the greenhouse gas markets under the Kyoto Protocol, there are also voluntary markets for businesses, organizations or individuals willing to pay for greenhouse gas emission reductions, generally as offsets to their own emissions, either as a contribution to the public interest or as an indication of corporate responsibility. The Chicago Climate Exchange is an example of a voluntary market for carbon emissions, as

are enterprises that offer carbon offsets for air travel, automobile use or other energy-consuming activities. Standards and certification schemes are being developed to ensure that the offsets of such programmes are real. Governments can recognize and encourage such voluntary markets as contributing to official climate change objectives. Effective voluntary programmes can provide a basis for the development of regulatory markets or other mandatory environmental protection measures, and can provide markets for emission reduction projects not covered by existing regulatory markets, such as forest protection.

The effective action taken under the Montreal Protocol on the protection of the ozone layer to reduce emissions of ozone-depleting substances shows that if the benefits are substantial and the costs of action modest, the international community, with the developed countries taking the lead, can take collective action to address long-term global problems.

Protection of biodiversity is another problem requiring current action for long-term benefits. Like climate change, biodiversity is a long-term global issue that is not being effectively addressed by current mechanisms. Biodiversity is both a national and global resource, but the benefits of conserving biodiversity are not widely and clearly comprehended. Protection of biodiversity generally involves protection of natural forests and unusual and isolated ecosystems with unique species. Protection of such ecosystems, combined with studies that identify endangered species and the ecosystems they depend on, have had some effectiveness in protecting biodiversity in some countries. However, assessments indicate that the number of endangered species is increasing and populations of endangered species are declining. There is a need to raise awareness and to increase international programmes to promote financial and technical assistance for biodiversity protection.

Protected areas have been steadily increasing and expanding in recent years, covering a total of about 20 million square kilometres by 2006. There are concerns, however, that many of the areas may not be adequately managed and protected. There is a particular need to expand protected marine areas in order to reverse the loss of marine resources and collapse of fisheries.

Bringing together financing from public and private sources can help expand protected areas and ensure long-term protection of biodiversity. In many ecosystems, protecting biodiversity is compatible with some economic activities, such as sustainable forestry or tourism. In such cases, Government, local communities, business and conservation organizations can work together to allow limited commercial activities while permanently excluding unsustainable activities. In some countries, conservation organizations have purchased permanent development rights to land of particular importance for biodiversity, while leaving ownership and limited commercial use with business, thus making effective use of the limited resources of the private conservation organizations and providing capital to sustainable businesses. Governments can promote such partnerships through regulations and tax incentives, or even provide supportive or catalytic funding.

The tourist attractions in many areas of rich biodiversity provide an economic incentive and, in some cases, a financial mechanism for protecting biodiversity. Rainforests,

mountains, coral reefs and other ecosystems attract tourists, and tourist fees and other tourism-related revenues can be used to protect and manage the ecosystem and expand the protected area. Costa Rica, with collaboration among Government agencies, communities and tourism businesses, has used tourist fees to protect cloud forest ecosystems and support local communities through such projects as school construction. Ecuador has used tourist fees to protect and manage the unique flora and fauna of the Galapagos Islands. Nepal has adopted a policy of high-end tourism, with limited numbers of mountain trekkers and strict rules to prevent litter and pollution in the pristine mountain ecosystems.

Fisheries are another example of a problem in which substantial short-term economic and social costs are required to protect long-term benefits. Many commercial marine fish stocks are depleted or have collapsed, and little effective action has been taken, nationally or internationally, to allow the stocks to recover. Some efforts have been made to reduce fishing capacity or limit the fishing season or catch in some fisheries, but there has also been an increase in illegal, unreported and unregulated fishing. Subsidies for fishing in some developed countries are still supporting excess fishing capacity. Further efforts are needed to reduce fishing fleets, eliminate subsidies that promote excess fishing, reduce fishing seasons and quotas for overfished species, restrict destructive fishing practices, establish more marine protected areas for threatened ecosystems and fish spawning grounds, and take effective international action against illegal, unreported and unregulated fishing. Further research is needed on the population dynamics of depleted or threatened species, the ecosystems that support them, and the most cost-effective ways to promote their recovery. Research is also needed to determine the optimum sustainable yield of fisheries that are still viable and the best fishing regulations to maximize sustainable harvest and reproduction rates.

Desertification remains a major challenge to sustainable development, with an estimated 20,000 to 50,000 square kilometres of productive land lost every year, mostly to soil erosion caused by unsustainable land management practices, exacerbated by deforestation, overuse of water resources and climate change. Land degradation reduces agricultural production, increases poverty and migration, increases airborne dust and water sedimentation, reduces biodiversity and releases CO₂, contributing to climate change. In some areas, progress has been made in combating desertification through improved livestock management, water conservation, cultivation techniques suited to drylands, community programmes supported by extension services, improved access to inputs and produce markets and more secure tenure rights. However, there is a need for greater global and regional cooperation, with financial and technical support, to combat desertification.

IV. Global partnership for development

Supporting sustainable development in all countries will require a broad global partnership for financial investment, trade, and technology development and transfer, including international cooperation among Governments, business, non-governmental organizations and research institutes and foundations, with the support of the United Nations and other international organizations.

A. Finance

Economic growth is both a central element of sustainable development and a source of finance for investment. In recent years, developing countries have seen economic growth averaging 6 per cent, as have the economies in transition, with the least developed countries growing at 7 to 8 per cent, thereby expanding employment, reducing poverty, increasing public revenues and improving social services. Economic growth in the developed countries has averaged 2 to 3 per cent.

Global economic growth is expected to be somewhat lower in 2008. The current financial turmoil and likely recession in the United States of America may cause a slowdown in other countries as well. Reduced demand could slow or reverse the increases in recent years in prices of many natural resources, thereby reducing economic growth in resource-exporting countries, while reducing costs for countries dependent on imported commodities or other natural resources.

Increased and more effective development assistance is an essential component of the global partnership. There has been some increase in official development assistance (ODA) in recent years, to \$104 billion in 2006, but much of the increase has been in the form of debt relief and emergency assistance rather than assistance for investment, technology transfer and capacity-building. From 2006 to 2007, ODA from Development Assistance Committee member countries declined by 8.4 per cent in real terms, representing 0.28 per cent of gross national income from 0.31 in 2006. Bilateral aid to sub-Saharan Africa, excluding debt relief, increased by 10 per cent in real terms. Most donor countries have increased the share of their gross national income going to ODA since 2000, but there are still only five countries that meet the target of 0.7 per cent of gross national income. The European Union provided 0.40 per cent of gross national income as ODA in 2007, and has pledged to reach the collective goal of 0.7 per cent by 2015. Overall, most donors are not on track to meet their commitments to increase aid.

Net foreign direct investment (FDI) from developed to developing countries has continued at a level of close to \$200 billion per year, supporting development in recipient countries through technology transfer and access to international markets as well as investment. FDI, however, remains concentrated in a limited number of middle-income countries. Other financial flows, including both private and official flows, have been net outward flows from developing countries in recent years, leaving net inward financial flows of about \$100 billion in 2007, with, in addition, a very large outflow of official finance (\$150 billion) from West Asia. As a result of the capital inflows and the large and growing trade surplus of the developing countries (\$600 billion), particularly of the oil-exporting countries, developing countries have been accumulating large official reserves, amounting to over \$3 trillion in 2007, providing protection from external financial shocks. Private financial flows to developing countries, and in particular FDI, have been encouraged in recent years by high economic growth in most developing countries and by greater macroeconomic and political stability and greater openness to trade and investment.

Payments for intellectual property rights represent significant international financial flows, including payments for licensing new technologies, as well as transfers within multinationals, and payments for computer software and copyrights. Patent rights also

lead to high prices for many pharmaceutical products. Developing countries made net payments to developed countries of about \$13 billion in royalties and licensing fees for intellectual property rights in 2005, about 10 per cent of global payments. The current intellectual property right regimes need to be reviewed to make them more pro-development.

The Global Environment Facility is an important source of international funding for sustainable development assistance in the areas of biodiversity, climate change, international waters, land degradation, ozone depletion and persistent organic pollutants. Since it was established in 1991, the Facility has provided \$7.4 billion in grants to support some 2,000 projects in 160 developing countries and countries with economies in transition. In 2006, 32 donor countries pledged \$3.13 billion for the period 2006-2010 in the fourth Global Environment Facility replenishment.

The Clean Development Mechanism under the Kyoto Protocol provides financial and technical support to developing countries for reducing greenhouse gas emissions, improving energy efficiency and developing renewable energy sources, with credit for the reductions going to the financing country towards meeting its Kyoto obligations. To date, it is the only intergovernmental mechanism that provides financial and technical assistance to developing countries through a market that is independent of ODA. About \$2.6 billion was spent on Clean Development Mechanism credits in 2005 and \$4.8 billion in 2006, and the amount is expected to grow substantially through the end of the current Kyoto obligations in 2012. To date, most of the projects have been in Brazil, China and India, in part because the costs of project approval for Clean Development Mechanism are high, so only large projects are viable. Changes have been made recently to Clean Development Mechanism procedures to allow approval of programmes that include a number of similar projects, improving opportunities for smaller projects. In post-2012 arrangements, procedures should be further improved to enable more countries to participate with more projects, thereby increasing financial assistance and transfer of technology to developing countries. The Clean Development Mechanism currently does not include projects that prevent deforestation or projects for adapting to the impacts of climate change. New mechanisms are under discussion to cover such projects as part of the post-2012 arrangements.

Many multilateral and bilateral development assistance and finance programmes have recently developed specific funds for climate- and energy-related activities. While the proliferation of funds and programmes presumably provides greater expertise for finance and technology transfer in that area, it is not clear that it offers additional finance, and it might complicate the efforts of developing countries to decide their own development priorities and obtain international financial assistance.

For the private sector in developing countries, limited access to credit can be an obstacle to investment in cleaner, more resource-efficient production in existing enterprises and to the establishment of new enterprises contributing to sustainable development. Access to credit is a particular problem for small enterprises offering new goods or services in developing countries. Microcredit and microfinance, as pioneered by the Grameen Bank in Bangladesh, have emerged as new tools for promoting small-scale entrepreneurial activity. Microcredit has been particularly important in improving

access to credit for women, who often have limited assets to use as collateral. There has also been some development of venture capital investment for small start-up enterprises in developing countries, both from domestic sources and from developed-country venture capital firms, encouraged by high growth rates, macroeconomic stability and greater openness to investment capital. In the area of private bank lending in developing countries, over 60 major private banks have adopted the Equator Principles, launched in 2003, committing themselves to financing only projects that meet basic environmental and social standards. Projects are to have social and environmental assessments and, where necessary, social and environmental management systems to mitigate, manage and monitor the impacts and risks. In January 2008, the China State Environmental Protection Administration decided to introduce the Equator Principles in China as part of its efforts to ensure that domestic bank lending would support sustainable development, reduce financial risk and prevent highly polluting projects from being financed.

B. Trade

International trade has been growing faster than economic growth for many years, and the share of developing countries in global trade has been increasing, from 29 per cent of merchandise trade in 1996 to 36 per cent in 2006, driven largely by China's export growth. Total developing-country merchandise exports in 2006 amounted to \$4.27 trillion, and commercial service exports were \$270 billion. Trade among developing countries (South-South trade) has also been increasing rapidly, but, at about 6 per cent of global trade, remains substantially smaller than North-South trade. Such trade growth has been a driver for economic development in many countries, allowing developing countries access to international markets, increasing economies of scale, and encouraging imports of modern, more productive production equipment. Much of the growth in trade has been in trade of materials and components within multinational enterprises and supply chains as part of the globalization of production. The increasing globalization of trade has been accompanied by transfer of production technology and management systems.

While trade has been growing and barriers to trade have been reduced through multilateral, regional and bilateral trade agreements, there remain substantial barriers to trade. In particular, barriers in developed countries to agricultural imports are a significant restriction on the exports of some developing countries, limiting their development opportunities. The Doha round of multilateral trade negotiations needs to be given new impetus.

There are still untapped opportunities for export development within existing trade arrangements. For many countries, particularly for Africa and the least developed countries, the barriers to exports are internal as well as external, including low productivity, inadequate transportation and communication infrastructure, unreliable power, lack of trained and skilled workers, and quality and reliability below international standards. International assistance, such as the Aid for Trade Initiative under the World Trade Organization, can help those countries develop their export capacity.

C. Technology transfer and capacity development

Technology development, in particular when driven by environmental regulations and incentives, generally tends to cleaner, more resource-efficient and more productive technologies. One means for transferring modern production systems and technologies to developing countries without a long learning process is through international supply-chain management. With the globalization of production and consumption and the development of global supply chains, multinational corporations are moving production to developing countries, along with production technologies and management techniques from developed countries. Furthermore, consumer and public demand in developed countries is increasingly holding multinational companies responsible for the behaviour of their suppliers with respect to social and environmental standards. As a result, multinationals are increasingly training suppliers in cleaner production, quality control and modern management techniques, and they are monitoring working conditions. While supply chain management by multinational enterprises often only reaches the primary suppliers of the enterprise concerned, the Republic of Korea has developed a programme for helping a wide range of enterprises to meet the requirements of international markets through cleaner, more efficient, high-quality production.

Most development assistance projects include some component of technology transfer and capacity-building. However, ODA-funded projects, whether bilateral or multilateral, rarely involve patented industrial products or processes, in large part because ODA-funded projects rarely involve industrial production. The World Bank's International Finance Corporation lends to projects in the private sector, but does so on a commercial basis and its activities would not appear to involve technology transfer more than other bank lending.

One of the best examples of policy-driven technology development and transfer for sustainable development was the "green revolution" in agriculture, led by public sector and non-profit institutions. The development of new high-yielding varieties of wheat, rice and corn, together with existing fertilizers, irrigation technology and pesticides, resulted in a doubling of grain production in Asia (1970-1995), almost entirely from increased yields, as the land area devoted to grain increased by only 4 per cent. Not only did that increase national food supplies, but poor people benefited from cheaper food, increased demand for rural labour and higher incomes.

That green revolution, however, bypassed Africa, where the agricultural conditions and infrastructure were not suited to the technology. Increasing agricultural production in Africa requires the development of irrigation systems and dissemination of irrigation technologies, increased investment in rural roads and supply systems for agriculture, research to improve crop varieties and cultivation practices suitable to African conditions, and greater efforts to disseminate available improved varieties and practices. A programme for a green revolution in Africa has been launched, and the Alliance for a Green Revolution in Africa is providing support to develop improved crop varieties, train scientists, ensure that improved seeds reach smallholder farmers and develop a network of dealers to facilitate access of small-scale farmers to agricultural inputs.

There is a need for greater efforts at the international level to promote transfer of technology from developed to developing countries on a concessional and preferential

basis, including in the context of current intellectual property practices and legal instruments. Particular priorities for such efforts should be energy and resource-efficient industrial technologies and renewable energy systems.

Capacity development for both the public and private sectors in developing countries is also critical for sustainable development and is a major component of most development assistance activities. In recent years, a greater share of ODA programmes and projects have focused on capacity development, particularly as privatization of what were formerly Government services, such as communications and power, has reduced ODA to those areas. In those cases, ODA has been replaced by Foreign Direct Investment or other private investment.

Capacity development will be particularly important in adapting to climate change, as the impacts of climate change will vary greatly from country to country depending on existing climate, changes in rainfall patterns, agricultural systems, extent of low coastal plains and extent of temperature-sensitive ecosystems. It is essential, therefore, that all countries have the capacity, as part of their national sustainable development strategies, to plan for adaptation to climate change, with financial and technical assistance for developing countries. There is also a need for further research, through international cooperation, on climate change modelling at the national and local levels, adaptive agricultural techniques and civil engineering techniques to adapt to a rise in sea level and increased storm impacts.

Liberalizing trade in environmental goods and services through the multilateral trade negotiations on the issue under the Doha round could also contribute to the transfer of environmentally sound technologies.

V. Recommendations

There is a need for a renewed international commitment to sustainable development in all countries, integrating economic growth, social development and protection of the environment, on the basis of national action and international cooperation, with expanded financial and technical assistance for developing countries. A renewed commitment is also needed to the achievement in all countries of the Millennium Development Goals as a basic first step towards a good quality of life for all. There is a particular need to address critical issues of long-term global sustainability in which the situation continues to deteriorate, including climate change, deforestation, biodiversity and desertification. Sustainable development requires cooperation based on social solidarity at the local, national and international levels.

Based on the above, the following actions are recommended as priorities for national action and international cooperation for sustainable development:

(a) **Policies, programmes, partnerships and experiences that have effectively contributed to progress towards sustainable development should be assessed, reported, publicized and replicated in other countries, adapted as necessary to local conditions;**

(b) **Countries that have not yet developed policy frameworks for integrating economic, social and environmental objectives should consider undertaking such a**

process through consultations involving Government agencies, local authorities and representatives of civil society and the private sector;

(c) Countries that have developed such frameworks or strategies should undertake periodic reviews, with a multi-stakeholder approach, to update the strategies in the light of achievements, obstacles and experiences;

(d) Regional networks of experts may be established for identifying and promoting integrated and cost-effective approaches to sustainable development based on shared experiences;

(e) The post-2012 negotiating process offers the opportunity to address climate change more effectively, with all developed countries taking the lead, to substantially reduce greenhouse gas emissions, to develop adaptation strategies and to increase financial and technological support to developing countries. All countries will need to demonstrate a commitment to contributing to the effort in accordance with their economic and technological capacities;

(f) An enabling environment for international carbon markets is needed to allow them to function properly and in cost-effective ways, ensuring that they work for the benefit of all countries;

(g) Efforts should be continued to improve and expand the Clean Development Mechanism, facilitating access for all countries and for small-scale mitigation efforts, while ensuring that approved projects provide real emission reductions. Efforts should also be made to develop mechanisms to promote international financing for additional types of climate change mitigation and adaptation projects, including reducing deforestation;

(h) Further measures should be considered towards internalizing the environmental and social costs of less sustainable activities, as a way of integrating those factors into all economic decision-making;

(i) The public sector should play a leading role in promoting energy efficiency and renewable energy, including through Government activities, public procurement and contracting;

(j) A green revolution for Africa should be a priority for international assistance, with a focus on smallholder production. Technical and financial assistance should be provided for expanding and improving irrigation systems, developing crop varieties that are more productive under African conditions, improving supply systems for other inputs, improving transportation and communication infrastructure and markets, and expanding access to credit;

(k) Consideration should be given to developing new international market-based mechanisms and incentives for protecting biodiversity in developing countries, including mobilization of international financial support and technical assistance;

(l) National and international efforts should be undertaken to expand protected areas of biodiversity, particularly marine areas. Where appropriate,

limited and regulated economic activities, including activities of indigenous and other local communities, should be allowed in order to help finance and manage the protected areas;

(m) Strengthened financial and technical assistance is needed for combating desertification, particularly in the light of climate change, which is projected to increase the risk of drought in many developing countries;

(n) A systematic review of the adequacy of existing financing mechanisms for sustainable development should be undertaken;

(o) Increased financial resources, particularly ODA, should be mobilized to meet the priority objectives of sustainable development. While strong domestic policies and domestic and foreign private investment provide the foundation for sustainable development, critical problems such as climate change, biodiversity protection, tropical forest conservation and marine resource protection cannot be resolved by domestic and private action alone;

(p) As trade is an important driver of sustainable development, there is a particular need for improved trade opportunities for developing countries in support of sustainable development, both through the Doha development round of multilateral trade negotiations and through aid for trade assistance;

(q) Assistance should be provided for strengthening administrative and monitoring capacities of the public sector in developing countries, particularly with respect to integrating the three components of sustainable development;

(r) High priority should be given to international efforts to resolve civil conflicts, rebuilding peace, effective governance and social cohesion in countries that have had civil conflicts, and work to assist States in preventing conflicts, including through participatory strategies for sustainable development.

Table 1: Selected indicators of progress in developing countries, 2000-2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007 ^a
Economic growth ^b									
Growth of output (percentage per year)		5.6	2.7	3.9	5.2	6.9	6.5	6.9	6.9
Poverty (millions)									
Proportion of population (per cent)		22.3		19.4		19.2			
Employment (millions)									
Female		787	800	816	834	847	862	878	
Male		1 255	1 276	1 299	1 325	1 347	1 371	1 394	
Primary and secondary education (per cent)									
Net enrolment ratio									
Female		79.9					85.7		
Male			86.8 ^c				89.9		

Source: *World Economic Situation and Prospects 2008*, table I.1 (United Nations publication, Sales No. E.08.II.C.2); *Millennium Development Goals Report 2007* (<http://mdgs.un.org/unsd/mdg/Resources/Static/Data/Stat%20Annex.pdf>).

^a Partly estimated.

^b Calculated as a weighted average of individual country growth rates of GDP, where weights are based on GDP in 2000 prices and exchange rates.

^c High-income economies, as defined by the World Bank, are excluded.

Table 2: Population living below \$1 purchasing power parity (PPP) per day

	Percentage of population below \$1 PPP per day ^{a,b}		
	1990	1999	2004
Developing regions	31.6	23.4	19.2
Northern Africa	2.6	2.0	1.4
Sub-Saharan Africa	46.8	45.9	41.1
Latin America and the Caribbean	10.3	9.6	8.7
East Asia	33.0	17.8	9.9
South Asia	41.1	33.4	29.5
South-East Asia	20.8	8.9	6.8
Western Asia	1.6	2.5	3.8

Source: *Millennium Development Goals Report 2007* (<http://mdgs.un.org/unsd/mdg/Resources/Static/Data/Stat%20Annex.pdf>).

^a High-income economies, as defined by the World Bank, are excluded.

^b Estimates by the World Bank, April 2007.

Table 3: Indicators to ensure environmental sustainability (Millennium Development Goal 7)

	Land area covered by forests				Protected area ratio to total terrestrial and sea area				Carbon dioxide per capita emissions ^b				Ozone-depleting substances consumption				Population using an improved drinking water source				Urban population living in slums ^c				Population using an improved sanitation facility			
	2000	2005	2000	2006	2000	2006	Total ^a	1990	2004	2000	2005	2000	2005	1990	2004	2005	2004	2001	2005	1990	2005	1990	2004	2005	2004			
North Africa	1.5	1.5	3.4	3.8	3.4	3.8	4.1	1.9	3.2	10 826	5 294	89	91	28.2	14.5	65	77											
Sub-Saharan Africa	27.3	26.5	9.1	9.4	9.4	12.9	0.9	0.9	0.9	9 512	2 958	49	56	71.9	62.2	32	37											
Latin America and the Caribbean	47.2	46	13.3	14.5	14.5	21.2	2.5	2.5	2.6	31 087	14 488	83	91	31.9	27	68	77											
East Asia	18.1	19.8	10.2	11.2	11.2	16.5	2.4	2.4	4	105 762	36 663	71	78	36.4	36.5	24	45											
South Asia	14.3	14.2	5.4	5.7	5.7	5.9	0.8	0.8	1.3	28 161	7 971	72	85	59	42.9	20	38											
South-East Asia	49.9	46.8	7.1	7.9	7.9	11	1.1	1.1	2	16 809	7 685	76	82	28	27.5	49	67											
Western Asia	3.4	3.5	18.1	18.2	18.2	18.3	4.9	4.9	6.1	11 855	5 070	85	91	25.7	24	81	84											
Oceania	65	63.4	1.2	1.3	1.3	3.7	0.9	0.9	0.9	129	27	51	51	24.1	24.1	54	53											
Developing regions			9.7	10.4	10.4	14.4	1.7	1.7	2.4	212 516	79 365	71	80	42.7	36.5	35	50											
Developed regions	30.7	30.8	12.3	13.8	13.8	15.1	10.3	10.3	12.4	24 056	10 352	100	99			100	100											
World	30.6	30.3	8.7	9.4	9.4	11.6	4.3	4.3	4.5			78	83	83	83	49	59											

Source: *The Millennium Development Goals Report 2007* (<http://mdgs.un.org/unsd/mdg/Resources/Static/Data/Stat%20Annex.pdf>).

^a Includes designated protected areas with unknown year of establishment up to and including year 2006.

^b Total carbon dioxide emissions from fossil fuels (expressed in millions of tons of carbon dioxide) includes carbon dioxide emissions from: solid fuel consumption, liquid fuel consumption, gas fuel consumption; cement production; and gas flaring (Carbon Dioxide Information Analysis Center).

^c Represented by the urban population living in households with at least one of the four following characteristics: lack of access to improved drinking water, lack of access to improved sanitation, overcrowding (three or more persons per room) and dwellings made of non-durable material.

Table 3 (continued)

Indicator	Europe		North America	
	2000	2005	2000	2005
Rate of forest harvest (percentage of total forest volume)	0.9	1.0	0.7	0.7
Protected areas (percentage of total territorial area) ^d	7.28	7.29	13.77	13.88
CO ₂ emissions from energy use (millions of tons)	3 842	3 976	5 071 ^e	5 817 ^f

Source: UNEP, GEO4 data portal (<http://geodata.grid.unep.ch/results.php>); OECD, *Factbook 2008: Economic, Environmental and Social Statistics*.

^d Terrestrial and marine combined, IUCN categories I-VI.

^e United States.

^f United States.

Table 4: Indicators of the Global Partnership, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Financial flows (billions of dollars)								
<i>Net ODA from DAC member countries to all developing countries</i>								
Bilateral development projects, programmes and technical cooperation	32.1	31.1	33.4	38.4	44.8	52.2	48.9	
Humanitarian aid	2.2	1.9	2.8	4.4	5.2	7.2	7.8	
Net debt relief grants	1.8	2.1	4.6	7.0	4.3	22.7	19.2	
Contributions to multilateral organizations	17.7	17.3	17.5	19.3	25.1	24.6	28.1	
Total Official Development Assistance (current prices)	53.7	52.4	58.3	69.1	79.4	106.8	104.4	103.7
Memo item:								
Total Official Development Assistance (2005 prices)	68.0	69.4	74.1	77.0	81.1	106.8	101.3	
Net grants by non-governmental organizations	6.9	7.3	8.8	10.2	11.3	14.7	..	
<i>Other flows</i>								
Net financial flows from multilateral development banks	9.2	9.1	1.2	0.7	3.0	4.4	..	
Expenditures on operational activities of the United Nations system	6.8	7.4	7.6	10.0	10.3	12.6	..	
Foreign direct investment	165.9	169.1	155.7	158.6	216.8	280.8	325.0	
Private sector loans and portfolio investment	20.5	-6.6	12.1	113.7	194.9	270.5	318.0	
Workers' remittances	85.6	96.5	113.4	142.1	160.4	188.0	200.0	
Net transfer of financial resources	-185.7	-154.8	-204.9	-297.9	-368.2	-560.0	-728.1	-759.8
Debt service as a proportion of exports (percentage)								
Heavily indebted poor countries	16.6	12.6	12.7	11.5	11.9	9.7	6.4	5
Developing countries excluding heavily indebted poor countries	12.6	11.5	11.5	11.1	8.1	7.4	..	

	2000	2001	2002	2003	2004	2005	2006	2007
Indices of primary commodity prices (2005=100 in US dollars)								
Food	82.1	80.5	83.3	88.6	100.9	100.0	110.5	127.3
Metals	62.7	56.3	54.3	60.7	81.7	100.0	156.2	183.3
Petroleum	52.9	45.6	46.8	54.2	70.8	100.0	120.5	133.3
Tariff barriers of developed countries (percentage)								
Proportion of non-oil, non-arms imports admitted duty-free to developed countries	65	64	68	70	75	75
<i>Developed countries average tariffs on imports from developing countries</i>								
Agricultural goods	9.4	9.3	9.5	9.4	9.2	8.9
Textiles	6.6	6.6	6	5.8	5.2	5.3
Clothing	10.8	11.3	10.7	10.4	9.2	8.9

Sources: Database on aid from members of the Development Assistance Committee (see www.oecd.org); World Bank, World Development Indicators 2007 (World Bank, Washington D.C., 2007); (A/62/74-E/2007/54); World Bank, Global Monitoring Report 2007 (World Bank, Washington D.C., 2007); UNCTAD, Monthly Commodity Price Bulletin, various issues; Millennium Development Goals Report 2007 (see <http://mdgs.un.org/unsd/mdg/Resources/Static/Data/Stat%20Annex.pdf>); International Development Association and International Monetary Fund, Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative — Status of Implementation, August 2007 (<http://www.imf.org/external/np/pp/2007/eng/082807.pdf>); World Economic Situation and Prospects 2008 (table III.1); and International Monetary Fund indices of primary commodity prices, (<http://www.imf.org/external/np/res/commod/index.asp>).

Annex 2

MINISTERIAL DECLARATION***Implementing the Internationally Agreed Goals and Commitments in Regard to Sustainable Development**

“We, the Ministers and Heads of Delegations participating in the high-level segment of the substantive session of 2008 of the Economic and Social Council, held in New York from 30 June to 3 July 2008,

“Having considered the themes of the high-level segment, ‘Implementing the internationally agreed goals and commitments in regard to sustainable development’ and ‘Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development, taking into account current challenges’,

“Conscious of the multiple, interrelated and mutually reinforcing challenges confronting the international community and their relationship to the themes chosen for the substantive session of 2008 of the Economic and Social Council and the need for a concerted and prompt response,

“Welcoming the holding of the first Development Cooperation Forum and the second annual ministerial review,

“Underscoring the need for coherence and coordination to enhance effectiveness and efficiency in addressing the current challenges and committed to ensuring that the Economic and Social Council discharges in a dynamic manner the responsibilities assigned to it by the Charter of the United Nations and reinforced in the 2005 World Summit Outcome¹ and General Assembly resolution 61/16 of 20 November 2006 on the strengthening of the Council,

“Reaffirming the commitments to the global partnership for development as set out in the United Nations Millennium Declaration,² the Monterrey Consensus of the International Conference on Financing for Development³ and the Plan of Implementation of the World Summit on Sustainable Development (‘Johannesburg Plan of Implementation’),⁴

“Having considered the reports of the Secretary-General prepared for consideration at the high-level segment⁵ and the deliberations held in the high-level segment,

“Have adopted the following declaration:

“1. We recognize that we meet at a critical juncture in our efforts to realize the internationally agreed development goals, including the Millennium Development Goals. We further recognize that we face multiple challenges in our efforts to achieve these

* See the document A/63/3

goals, including financial instability and uncertainty, slowing global economic growth, and rising food and fuel prices, as well as the impacts of environmental degradation and the impacts of climate change. All of these challenges require early concerted action. We are concerned about the negative impacts of these risks on sustained economic growth and sustainable development, particularly in developing countries. We are also concerned that these risks might further widen inequalities both among and within nations.

“2. We therefore call for urgent individual and collective actions, both short and long term, to stem the impacts of these risks and place the global economy on a firm sustainable foundation. We need to ensure that our development gains are not reversed and that our future efforts are not undermined. We are determined to take concerted actions to promote progress towards the realization of the internationally agreed development goals, including the Millennium Development Goals.

“3. We reaffirm that development is a central goal by itself and that sustainable development in its economic, social and environmental dimensions constitutes a key element of the overarching framework of United Nations activities. We recognize that development, peace and security, and human rights are interlinked and mutually reinforcing.

“4. We call for the full implementation of the global partnership for development and commitments made by all countries and request the Economic and Social Council to continue to review the progress made in the implementation of the outcomes of the major United Nations conferences and summits, and their follow-up processes, in the economic, social and related fields, including the Millennium Development Goals and other internationally agreed development goals.

“5. We take note with appreciation of the voluntary initiative of the Government of Bahrain to hold regional consultations on the annual ministerial review of the Economic and Social Council at Manama on 1 and 2 June 2008⁶ and the holding of high-level symposiums by the Governments of Austria, Egypt and Italy, in Vienna, Cairo and Rome, in preparation for the Development Cooperation Forum.

“6. We welcome the enhanced participation of various stakeholders, including from civil society and the private sector, and recognize the need to continue to encourage and facilitate their engagement in efforts to achieve sustainable development.

“7. We welcome the voluntary national presentations made by Belgium, Chile, Finland, the Lao People’s Democratic Republic, Luxembourg, Kazakhstan, the United Kingdom of Great Britain and Northern Ireland and the United Republic of Tanzania.⁷

“8. We reiterate our commitment to ensuring the achievement of sustainable development in all countries, integrating economic growth, social development and environmental protection, and to making that goal the central objective of national development strategies and international cooperation. We call on countries that have not yet developed policy frameworks for integrating economic, social and environmental objectives to consider adopting and implementing such frameworks. We recognize that a facilitative international environment and appropriate international cooperation is important in this regard.

“9. We recognize the importance of strengthening indicators that integrate the three pillars of sustainable development.

“10. We reaffirm our commitment to promoting gender equality and the empowerment of women, recognizing that they are key actors in development, and to identifying and accelerating concrete actions towards that end.

“11. We recognize the increasing rate of deterioration of the global environment in many important areas, the continued challenges of environmental protection and the serious implications for sustainable development, and strongly stress the need to address critical issues of long-term global sustainability, taking into account the principles contained in the Rio Declaration on Environment and Development,⁸ including, inter alia, the principle of common but differentiated responsibilities.

“12. We reiterate the commitments made at the World Summit on Sustainable Development to pursue a more efficient and coherent implementation of the three objectives of the Convention on Biological Diversity⁹ and the achievement by 2010 of a significant reduction in the current rate of loss of biological diversity, which will require action at all levels, including the implementation of national biodiversity strategies and action plans and the provision of new and additional financial and technical resources to developing countries.

“13. We resolve to support and strengthen the implementation of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa,¹⁰ with a view to addressing causes of desertification and land degradation, as well as poverty resulting from land degradation, through, inter alia, the mobilization of adequate and predictable financial resources, the transfer of technology and capacity-building at all levels.

“14. We acknowledge that the global nature of climate change calls for the widest possible cooperation by all countries and their participation in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions.

“15. We reaffirm our commitment to the ultimate objective of the United Nations Framework Convention on Climate Change,¹¹ as contained in article 2 thereof, namely, to stabilize greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

“16. We remain deeply concerned that all countries, in particular developing countries including least developed countries and small island developing States and African countries, face increased risks from the negative effects of climate change and we further stress the need to urgently address adaptation needs relating to such effects.

“17. We reaffirm that responses to climate change should be coordinated with social and economic development in an integrated manner, with a view to avoiding adverse impact on the latter, taking into full account the legitimate priority needs of developing

countries for the achievement of sustained economic growth and the eradication of poverty.

“18. We welcome the decisions adopted during the thirteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Bali, Indonesia, from 3 to 15 December 2007, including the Bali Action Plan, which launched a comprehensive process aimed at enabling the full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012, in order to reach an agreed outcome and adopt a decision at the fifteenth session of the Conference of the Parties.¹² We take note of the work under way in the open-ended ad hoc working group of the parties to the Kyoto Protocol to the United Nations Framework Convention on Climate Change¹³ established under decision 1/CMP.1.¹⁴

“19. We call for efforts by all countries to promote sustainable management of all types of forests. We recognize the need for the provision by the international community of increased support for the efforts of developing countries towards the promotion of sustainable forest management.

“20. We stress the importance of diversifying energy supply by developing advanced, cleaner, more efficient, affordable and cost-effective energy technologies, including fossil fuel technologies and renewable energy technologies, hydro included, and their transfer to developing countries on concessional terms as mutually agreed, and, with a sense of urgency, of substantially increasing the global share of renewable energy sources with the objective of increasing its contribution to total energy supply.

“21. We emphasize that it is essential to address the challenges and opportunities posed by biofuels, in view of the world’s food security, energy and sustainable development needs.

“22. We express our concern at the current situation of soaring food prices and underline that the global food crisis poses a serious challenge to the fight against poverty and hunger as well as to the efforts by developing countries to attain food security and achieve the objectives of reducing by half the number of undernourished people by no later than 2015 and other internationally agreed development goals, including the Millennium Development Goals. We reiterate that the global food crisis has multiple and complex causes and that its consequences require a comprehensive and coordinated response in the short, medium and long term by national Governments and the international community.

“23. The global food situation calls for a strong commitment from Governments as well as from all other stakeholders. We call upon all donors and the United Nations system to increase their assistance to developing countries, in particular least developed countries and those that are most negatively affected by high food prices. We welcome the holding of the High-level Conference on World Food Security: The Challenges of Climate Change and Bioenergy in Rome from 3 to 5 June 2008 and note the importance of the implementation of its outcome. We also welcome the convening of a special meeting of the Economic and Social Council on the global food crisis from 20 to 22 May 2008. We take note of the recent establishment by the Secretary-General of the High-

level Task Force on the Global Food Crisis and encourage its continued engagement with Member States.

“24. We reiterate the urgency of accelerating progress in the implementation of the priorities for action in water, sanitation and human settlements agreed at the thirteenth session of the Commission on Sustainable Development by providing access to safe drinking water and sanitation services, building partnerships for capacity-building and technology transfer, improving the efficiency of water utilities, engaging stakeholders in the implementation process, strengthening monitoring and reporting and implementing integrated water resources management, through raising public awareness; and integrating water and sanitation strategies into national development plans, mobilizing adequate financial resources and using available financial resources more efficiently and ensuring targeted, effective implementation by all relevant actors, including incorporation of a gender perspective and effective monitoring of implementation, in order to reach the 2015 objective of halving the proportion of people who are unable to access or afford safe drinking water and the proportion of people without access to basic sanitation.

“25. We recognize the important role of cities and other urban areas and the challenges of urbanization. We therefore call for promoting sustainable urbanization, improving lives of slum-dwellers and encouraging practical solutions to these challenges.

“26. We reaffirm the importance of investing in infrastructure for rural development and agriculture. We further recognize the importance of non-farming economic activities in eradicating poverty in rural areas. In this regard, we recognize the in-depth discussion at the sixteenth session of the Commission on Sustainable Development and we look forward to recommendations of the Commission at its seventeenth session that will advance rural development.

“27. We recognize that agriculture plays a crucial role in addressing the needs of a growing global population and is inextricably linked to poverty eradication, especially in developing countries. Integrated and sustainable agriculture and rural development approaches are therefore essential to achieving enhanced food security and food safety in an environmentally sustainable way.

“28. We recognize the crucial importance of enhanced access of the rural poor, women and men, to productive assets, in particular land and water, and stress that priority attention should be given to the adoption of policies and the implementation of laws that guarantee well-defined and enforceable land- and water-use rights and promote legal security of tenure, while recognizing the existence of different national laws and/or systems of land access and tenure.

“29. We call for the full, timely and effective achievement of the goals and targets of the Programme of Action for the Least Developed Countries for the Decade 2001-2010,¹⁵ the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries,¹⁶ the Programme of Action for the Sustainable Development of Small Island Developing States,¹⁷ and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States¹⁸ so as to address the special

needs of least developed countries, landlocked developing countries and small island developing States.

“30. We recognize that poverty and inequality are a concern for all countries regardless of their level of development. We also recognize that middle-income countries are still faced with significant areas of poverty and that efforts to address these challenges should be supported.

“31. We emphasize the need for continued, coordinated and effective international support for achieving the development goals in countries emerging from conflict and in those recovering from natural disasters.

“32. We remain concerned that many countries in Africa are currently not on track to achieve, by 2015, any of the goals set out in the United Nations Millennium Declaration and, in this regard, emphasize that concerted efforts and continued support are required to fulfil the commitments to address the special needs of Africa. We welcome the efforts by development partners to strengthen cooperation with the New Partnership for Africa’s Development¹⁹ and the progress made by the African countries in fulfilling their commitments in respect of the implementation of the New Partnership. In this regard, we look forward to the convening of the high-level meeting on the theme: ‘Africa’s development needs: implementation of various commitments, challenges and the way forward’, scheduled for 22 September 2008, which will review the implementation of all commitments made by and to Africa with a view to comprehensively addressing the special development needs of the continent.

“33. We call upon all countries to promote good governance, which is essential for sustainable development, and reaffirm that sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment-creation and that freedom, peace and security, domestic stability, respect for human rights, including the right to development, the rule of law, gender equality and market-oriented policies and an overall commitment to just and democratic societies, are also essential and mutually reinforcing.

“34. We reaffirm that good governance at the international level is fundamental for achieving sustainable development; that in order to ensure a dynamic and enabling international economic environment, it is important to promote global economic governance through addressing the issue of the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries; and that, to that end, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, achieving a comprehensive solution to the external debt problem and increasing the market access of developing countries.

“35. We reaffirm the commitments made in the Doha Ministerial Declaration,²⁰ the Hong Kong Ministerial Declaration²¹ and the decision of the General Council of the World Trade Organization of 1 August 2004²² to meaningfully integrate the developing and the least developed countries into the multilateral trading system and call for the

successful and early conclusion of the Doha Round of trade negotiations, with the full realization of the development dimensions of the Doha Work Programme.²³

“36. We call for the early conclusion and successful development-oriented outcome of the Doha Round of trade negotiations, adhering fully to the agreed mandate in the Doha Ministerial Declaration, within the framework adopted by the General Council of the World Trade Organization in its decision of 1 August 2004 and the Hong Kong Ministerial Declaration.

“37. We reaffirm our commitment to promote, facilitate and finance, as appropriate, access to, and the development, transfer and diffusion of, environmentally sound technologies and corresponding know-how, in particular to developing countries and countries with economies in transition, on favourable terms, including on concessional and preferential terms, as mutually agreed, as set out in chapter 34 of Agenda 21.²⁴

“38. We recognize that appropriate, affordable and sustainable agricultural technologies can play an important role in helping Member States alleviate poverty, eradicate hunger and mitigate the global food crisis, and call upon the international community to make greater efforts to promote development and transfer of appropriate technologies.

“39. We strongly stress that increased financial resources should be mobilized for meeting the priority objectives of sustainable development.

“40. We reaffirm that each country must take primary responsibility for its own development and that the role of national policies and development strategies cannot be overemphasized in the achievement of sustainable development. We also recognize that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty.

“41. We reiterate that in our common pursuit of growth, poverty eradication and sustainable development, a critical challenge lies in ensuring the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment and increasing human capacity. A crucial task is to enhance the efficacy, coherence and consistency of macroeconomic policies. An enabling domestic environment is vital for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance. Efforts to create such an environment should be supported by the international community.

“42. We acknowledge efforts by developed countries to increase resources for development, including commitments by some developed countries to increase official development assistance. However, we note with concern the overall decline in official development assistance in 2006 and 2007, and call for the fulfilment of all official development assistance-related commitments, including the commitments made by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance by 2015 and to reach the target of at least 0.5 per cent of gross national income for official development assistance by 2010, as well as the target of

0.15-0.20 per cent of gross national income for official development assistance to least developed countries, and urge those developed countries that have not yet done so to make concrete efforts in this regard in accordance with their commitments.

“43. We welcome the efforts of some developed countries, which are on target to meet the commitments made in terms of increased official development assistance.

“44. We further welcome recent efforts and initiatives to enhance the quality of aid and to increase its impact, including the Paris Declaration on Aid Effectiveness, and resolve to take concrete, effective and timely action in implementing all agreed commitments on aid effectiveness, with clear monitoring and deadlines, including through further aligning assistance with countries’ strategies, building institutional capacities, reducing transaction costs and eliminating bureaucratic procedures, making progress on untying aid, enhancing the absorptive capacity and financial management of recipient countries and strengthening the focus on development results.

“45. We also emphasize the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, since debt financing and debt relief can contribute to economic growth and development.

“46. We welcome the fact that the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative have enabled heavily indebted poor countries to increase their expenditures on health, education and other social services consistent with national priorities, development plans and internationally agreed development goals, including the Millennium Development Goals.”

Notes

- 1 See General Assembly resolution 60/1.
- 2 See General Assembly resolution 55/2.
- 3 *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.
- 4 *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.
- 5 E/2008/12 and E/2008/68.
- 6 See E/2008/88 for the report on the consultations.
- 7 See, inter alia, E/2008/70, E/2008/75, E/2008/78, E/2008/79, E/2008/81 and E/2008/85.
- 8 *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.
- 9 United Nations, *Treaty Series*, vol. 1760, No. 30619.
- 10 *Ibid.*, vol. 1954, No. 33480.
- 11 *Ibid.*, vol. 1771, No. 30822.
- 12 See FCCC/CP/2007/6/Add.1, decision 1/CP.13.
- 13 FCCC/CP/1997/7/Add.1, decision 1/CP.3, annex.
- 14 “Consideration of commitments for subsequent period for Parties included in Annex I to the Convention under Article 3, paragraph 9, of the Kyoto Protocol” (see FCCC/KP/CMP/2005/8/Add.1).
- 15 A/CONF.191/13, chap. II.
- 16 *Report of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, Almaty, Kazakhstan, 28 and 29 August 2003* (A/CONF.202/3), annex I.
- 17 *Report of the Global Conference on the Sustainable Development of Small Island Developing States, Bridgetown, Barbados, 25 April-6 May 1994* (United Nations publication, Sales No. E.94.I.18 and corrigenda), chap. I, resolution 1, annex II.
- 18 *Report of the International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, Port Louis, Mauritius, 10-14 January 2005* (United Nations publication, Sales No. E.05.II.A.4 and corrigendum), chap. I, resolution 1, annex II.
- 19 A/57/304, annex.
- 20 See A/C.2/56/7, annex.
- 21 World Trade Organization document WT/MIN (05)/DEC. Available from <http://docsonline.wto.org>.
- 22 World Trade Organization document WT/L/579. Available from <http://docsonline.wto.org>.
- 23 See A/C.2/56/7, annex.
- 24 *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

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