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United Nations Conference on the World Financial and Economic Crisis and its Impact on Development (1-3 June, New York)

This briefing paper is intended to provide information and background on the upcoming United Nations Conference on the World Financial and Economic Crisis and its Impact on Development which will take place from 1 – 3 June at UN Headquarters in New York.

1. What is the UN Conference?

The mandate for the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development was decided at the International Conference on Financing for Development in Doha in December 2008 (paragraph 79 of the Doha Declaration A/CONF.212/L.1/Rev.1). Negotiations on the ‘modalities’ of the UN Conference began in February and were completed in early April. UN General Assembly (GA) resolution A/63/L.66 outlines the scope of the Conference as well as many of its organizational aspects.

Conscious of the importance of examining and overcoming the deepening world financial and economic crisis and its impact on development, concerned about the present and future impacts of the crisis on, inter alia, employment, trade, investment and development, including the achievement of the internationally agreed development goals and the Millennium Development Goals, convinced of the urgency of undertaking coordinated and collaborative actions and appropriate measures to mitigate the impact of the crisis on development, emphasizing the importance of the role of the United Nations and its Member States in the ongoing international discussions on reforming and strengthening the international financial, and economic system and architecture, and stressing the contributions of the United Nations development system in the response to the crisis. [Paragraph 2]

Governments agreed to hold the Conference at the ‘highest level’ (i.e. Heads of States and Heads of Governments), which will comprise four consecutive thematic roundtables involving participation of other stakeholders, including civil society, and will result in an intergovernmentally agreed outcome document.

Upon the adoption of the resolution, President of the General Assembly Miguel d’Escoto Brockmann said “We now have the opportunity and the responsibility to search for solutions that take into account the interests of all nations, the rich and the poor, the large and the small. This is the mission of the G-192 [all UN Member States] amongst the international processes searching for solutions.”

2. How does the UN Conference relate to the recent report by the ‘Stiglitz Commission’?

The ‘Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System’ – also known as the ‘Stiglitz Commission’ – was established by the GA President and is providing recommendations on international financial structures and practices as part of broad-based inputs into the preparations for the Conference and beyond. They released a series of interim

recommendations in mid-March which were discussed at the General Assembly from 25-27 March. It is expected that these will provide at least some of the informal basis for negotiating an outcome document at the June Conference.

3. What are some of the principal recommendations of the Stiglitz Commission?

New policy actions:

- Industrialized countries should dedicate 1% of their stimulus packages to offset the impact of the financial crisis to developing countries (in addition to traditional official development assistance commitments).
- Immediate creation of a new credit facility. If it was established quickly enough, it could be a means of disbursing the necessary funding. The governance of the new facility should be more reflective of democratic principles, with strong representation of developing countries and those countries contributing to the facility. These governance arrangements could provide lessons for reforming existing institutions.
- Those schemes should avoid conditionalities (which induce “procyclical” policies which many countries are still required to pursue by the IMF even as these policies contribute to the crisis).
- Issuing of Special Drawing Rights (SDRs) and support to regional efforts like the Chiang Mai initiative to augment developing countries’ resources.
- A new Global Reserve System (a kind of greatly expanded SDR) which could mitigate difficulties caused by asymmetric adjustment between surplus and deficit countries and redirect excessive reserve accumulation in developing countries to investments in these countries real economies (rather than subsidizing rich countries’ deficit spending).
- Encouraging developing countries to use all the tools at their disposal to reduce their exposure to the risks and volatility of capital markets, including price interventions, quantitative restrictions and prudential regulations, active management of foreign capital inflows (capital controls).
- Explore a variety of mechanisms of innovative finance, including international taxes (carbon tax and financial services tax).
- On trade issues, the Commission notes that many bilateral and multilateral trade agreements contain commitments that circumscribe the ability of countries to respond to the current crisis with appropriate regulatory, structural and macroeconomic reforms and reform packages. Developing countries need policy frameworks that can help protect them from regulatory and macroeconomic failures in systemically significant countries.
- It notes that development dimension of a successful completion of the Doha trade round is unclear and calls for a “true development round” to create an international trade regime which truly promotes growth in developing countries. The long recognized principle of special and differential treatment for developing countries must be preserved. In the immediate, elimination of all forms of developed country export subsidies should be implemented now, as well as duty-free, quota-free market access for products originated from LDCs. Protectionism should also be avoided in any crisis response.

New institutions:

- In the short-term, a mechanism with the United Nations system--drawing on the successful example of the Intergovernmental Panel on Climate Change (IPCC)—could be created to offer consultancy to the UN General Assembly, the UN Economic and Social Council (ECOSOC) and other international organizations to enhance capacity for sound decision making and constructive policy dialogue on issues of global economic and financial architecture and coherent international policy and action.
- In the longer term, creation of a Global Economic Coordination Council at Heads of State and Government level – a level equivalent to the General Assembly and the Security Council. This Council could promote accountability of all international economic organizations, identify gaps and help set the agenda for global economic and financial reforms. Representation would be based on the constituency system, ensuring that all continents and major economies are

represented, as a democratically representative alternative to the G-20. It would be supported intellectually by the above-mentioned International Panel.

- Fundamental governance reform of the Bretton Woods institutions, including introduction of double or multiple majority voting in the IMF.

Other recommendations promoted actions to address flawed incentive structures, unreformed corporate governance, with the Commission suggesting that what were needed were real and substantive regulatory reforms that went beyond the financial sector to address underlying problems in corporate governance and competition policy and tax structures that gave preferential treatment to capital gains.

The Stiglitz Commission report also reflects many of the policy proposals contained in the civil society consultation report prepared by NGLS in February 2009. That report can be found at www.un-ngls.org/cfr.

4. What are some of the important events leading to the Conference?

There are several important intergovernmental events whose results could help shape the outcome of the UN conference. They include:

April 25-26: Spring Meetings of the World Bank and IMF, Washington DC

April 27: Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and UNCTAD, New York

May 18-19: UNCTAD 2009 Public Symposium: “The Global Economic Crisis and Development: the Way Forward”, Geneva

5. Besides these events, what does the political process look like?

The GA President has named two ‘Co-facilitators’ who will produce the first draft of the outcome document and will lead the negotiations on the text. They are the Ambassadors to the UN in New York of St. Vincent and the Grenadines and the Netherlands. It is expected that they will wait until after the ECOSOC Spring Meeting to release their draft text. Shortly thereafter inter-governmental negotiations will begin in earnest and likely continue until – and perhaps at – the June Conference.

Given the time available and the constraints of the negotiating process, the Co-facilitators view the month of April as the time to submit ideas and proposals for the draft outcome document.

6. What role will civil society have in the Conference?

At the Conference itself, all civil organizations accredited to the Financing for Development process or in consultative status with ECOSOC are allowed to attend. In this regard, NGLS will soon have a registration page on its website (www.un-ngls.org). All NGOs wishing to attend the conference will need to register on line. In addition, as mentioned above, there will be a speaking role for a few civil society representatives in each of the four roundtables.

During the inter-governmental negotiating process at the General Assembly (in New York), civil society representatives should be allowed to observe but not to take the floor.

Also, there should be an opportunity to organize side events. Some groups have begun discussing the idea of an NGO Forum in advance of the Conference as well as a strategic debriefing retreat right in New York right after the end of the conference, in order to plan and coordinate advocacy strategies around the financial crisis in light of the decisions taken at the UN conference. NGLS is acting as the focal point on the UN side for civil society participation in the Conference.

For further information and updates, please contact NGLS or check regularly the website:

www.un-ngls.org