EXECUTIVE SUMMARY

We are facing a global systemic financial and economic crisis, which originated in the increasing financialization of the global economy, coupled with deregulation, over-reliance on trade liberalization and the use of financial instruments that created systemic risks and asymmetries. These factors have resulted in a financial industry disconnected from the real productive economy and in a severe slow-down in the real economy, with tremendous human and social costs. Before the financial crisis, the world was already suffering from a food crisis, and facing environmental challenges of historic dimensions. With this Conference, the UN as the most comprehensive intergovernmental forum, has a historic opportunity to start a longer-term inclusive process for a fundamental transformation of the economic and financial system and to make social and gender justice and the fulfillment of human and environmental rights the key objectives of all crisis-related measures. As a first step, global fiscal stimulus measures are crucial, both for industrialized countries, economies in transition, and developing countries, to stimulate their economies in a sustainable manner, and implement counter-cyclical policies, without, however, reverting to the same export-led growth model based on unsustainable over-production and over-consumption patterns. However, equally important are concrete commitments for an intergovernmental time-bound process towards long-term structural reforms to prevent future financial bubbles and economic busts. This UN Conference must be the beginning of a process for systemic change, crisis resolution and economic justice between developed and developing countries and economies in transition.

We, the members of more than 200 society organizations and networks from around the world have gathered here in New York, for a Civil Society Forum held 23 June, just prior to the official UN Conference at the highest level on the World Financial and Economic Crisis and its Impact on Development. We reviewed the ongoing processes to respond to the global financial and economic crisis and looked at the impact of the crises on people, particularly in developing countries.

Introduction

We are facing a global systemic financial and economic crisis, which originated in the advanced developed economies of the North. It emerged in the context of other global crises, in particular the crises of social development, food, energy and climate change. Loose monetary policy and inadequate regulation together with insufficient supervision and transparency created financial instability. The socially effective use of financial means is essential for the achievement of sustainable development. With this Conference, the UN as the most comprehensive intergovernmental forum, has a historic opportunity to start a longer-term inclusive process for a fundamental transformation of the economic and financial system and to make social justice the key objective of all crisis-related measures.

The Damage Done
The impacts on developing countries – especially the Least Developed Countries – are particularly severe. According to the updated World Economic Situation and Prospects 2009, at least 60 developing countries will suffer declining per capita incomes in 2009. The loss of perhaps 100 million jobs by 2010 will require four to five years to recover to pre-crisis employment levels once economic growth resumes. Some 2 billion people – nearly one-third of our planet’s population - live in poverty, and they are experiencing the crises’ worst impacts. Slashed inflows from exports, Foreign Direct Investment and remittances (up to 20 percent of GDP for some countries) impose serious difficulties on their social and economic situation. Progress on poverty reduction, child mortality and primary school completion, among other UN Millennium Development Goals, is expected to be reversed in most developing countries. Some 2 billion people – nearly one-third of our planet’s population - live in poverty, and they are experiencing the crises’ worst impacts. Slashed inflows from exports, Foreign Direct Investment and remittances (up to 20 percent of GDP for some countries) impose serious difficulties on their social and economic situation. Progress on poverty reduction, child mortality and primary school completion, among other UN Millennium Development Goals, is expected to be reversed in most developing countries. Women compensate for social and economic gaps left by government and market failures and take responsibility for life’s most basic needs. such as food and health care. Yet they are marginalized by our socio-economic structures and in times of crisis they, along with the children of families in poverty, are put in the most vulnerable positions. Their plight reflects the greatest failure of our current systems. The fundamental reform of the international financial and economic systems will be measured by how the new systems address the needs of vulnerable people in developing countries.

From Financial and Economic Regulatory Failure to Policies for Recovering from the Crisis

Policy responses to the global crisis must address its root causes, which lie in the increasing financialization of the global economy, coupled with deregulation, and the use of financial instruments that created systemic risks and asymmetries. These factors have resulted in a financial services industry disconnected from the real productive economy and in a severe slow-down in the real economy, with tremendous human and social costs. Recovery packages should include policies to re-regulate the financial sector, and address the imbalances between finance and the real economy, between advanced and developing economies, and between capital and labor. Trade is one of the main channels by which the financial crisis is making its impact felt on the real economies, with a projected 11 percent global decline in trade projected for 2009. With the massive reversal of capital inflows to developing countries, at least 30 have insufficient reserves to pay for even three months of essential imports, such as food and medicine. The rapid spread of the financial and economic crisis shows that the fate of developing countries in the trade system lies more on meaningful reforms to the international financial architecture in which context such trade is conducted than on the achievement of enhanced market access. Therefore, the trade dimensions and impacts of any financial reforms should be factored into any proposed reforms of the global financial system.

Countercyclical policies should prioritize the strengthening of labor markets through physical, social and green infrastructure investments that generate employment opportunities. Emphasis should be placed on ensuring a just transition of workers to green and decent jobs. Fiscal stabilizers, such as unemployment benefit schemes, social insurance and cash transfers to poor households must be complemented by direct job creation schemes. Fiscal stimuli should target increases in aggregate demand of sufficient magnitude to revitalize the real economy: employment, wage and household disposable income growth.

Developing countries must be allowed the policy space, without conditionalities, in order to implement countercyclical policies aimed at achieving sustainable growth with equity in the real economy. It is in the interest of all UN members that developing countries receive financial resources to recovery

1 The ILO Declaration on Social Justice for a Fair Globalization (2008) commits Member States to placing “full and productive employment and decent work at the centre of economic and social policies,” based on the four strategic objectives of the Decent Work Agenda: promoting employment, developing social protection, promoting social dialogue, and respecting fundamental principles and rights at work.
The Role of the UN Towards a New Global Economic System and Development Architecture

The global crises need a global response involving all societies affected by the crisis. Therefore, we strongly welcome the decision of governments in Doha to hold this UN conference on the World Financial and Economic Crisis and its Impact on Development. It is vital that this conference produces an ambitious outcome. The recommendations of the "Commission of Experts of the President of the General Assembly on Reforms of the International Monetary and Financial System" (the Stiglitz Commission) are an important contribution and should be included in the follow-up process. The Conference should agree to concrete and bold measures to help vulnerable countries to weather the financial and economic crisis, to reform the international financial system and to enter the path towards green, sustainable and equitable economic growth.

The UN has the political legitimacy to be a pre-eminent decision-making body as envisioned in the Charter, in economic as well as in security matters. The execution of global governance needs a globally representative forum. The UN can ensure accountability to all its member governments of all global financial and economic bodies and specialized agencies of the UN. This accountability mechanism extends to those agencies and bodies currently involved in The Financing for Development process and also others such as the Financial Stability Board, the Basel Committee, and the International Accounting Standards Board (IASB), that deal with finance, development assistance and trade, as well as ensuring collaboration in tax matters.

This crisis provides a historic opportunity to achieve a fundamental transformation of the economic and financial system. This Conference must take the long term view and make social, economic and environmental justice – including decent livelihoods and climate justice - the key objectives of all crisis-related measures, including the necessary changes to the international financial and monetary system. The UN is the most comprehensive forum for negotiations towards a new global economic system and development architecture. Such a new approach to global governance must be based on human and environmental rights, integrating gender equality, women’s rights and recognizes the central role of the social economy.

Short Term Measures of an International Stimulus Package for Development

A global fiscal stimulus is key both for industrialized countries and developing countries to reverse economic contraction and implement counter-cyclical policies. The Stiglitz Commission has pointed out that unfortunately, some of the measures taken by rich countries may actually further increase global imbalances, creating financial protectionism and further distorting the economic playing field. Conversely, many developing countries lack the resources for fiscal stimulus measures. G-20 countries committed to replenishing the International Monetary Fund with about $750 billion, just $50 billion of which is intended for low income countries. However, even if these commitments are kept, IMF loans continue to come with pro-cyclical conditions that have failed and likely will continue to fail to stimulate the real economies of loan recipients. Nor will the promised-billions, even if free from such conditions, suffice to compensate for the World Bank estimated $1 trillion in developing country net capital outflow declining tax and export revenues. Developing countries must benefit fully from these stimulus packages, through special grant arrangements and increased Official Development Assistance, and not through debt-creating loans. Accountability mechanisms should be established for all participants in the stimulus programs.

Therefore, the Outcome Document should state that stimulus packages or support programs not distort the economic playing field or create a new form of financial protectionism. In the interest of all, developed
countries should help to finance rescue packages in developing countries, and as proposed by the "Stiglitz Commission," they should invest part of their own fiscal stimulus packages in developing countries. This support should be additional to existing commitments on aid. Economic policy conditions must end and all crisis financing should come without any conditions except for fiduciary concerns. Fiscal stimulus should be spent on social protection measures for the poor, especially women and minorities, and on building equitable growth. It is vital to promote investments in human capital, in particular in education and health, as well to invest in job creation.

We, therefore, demand that donor countries deliver on their aid promises. They should step up efforts to reach the target of 0.7% of GDP for ODA. They should not back-track on the G8 promise to increase annual aid by US$50bn (half of which would go to Africa) by 2010. According to DESA, a compensatory and development financing plan for a total of 1$ trillion for 2009-2010 are needed for developing countries. We acknowledge the EU proposal regarding short term ODA, but see the need for more ambitious measures to be overseen by a stimulus working group that should report to the General Assembly in September on steps taken.

Sustainable Development Requires International Cooperation on Tax Matters

We support the work of the UN Committee of Experts on International Tax Cooperation on issues such as transfer pricing. Strengthening of the UN Committee of Experts into a powerful inter-governmental body is essential in order to counter tax evasion and avoidance, particularly by transnational corporations. Trans-national companies must account on a country-by-country basis. There is a need for durable systems of domestic resource mobilization so that countries can finance and control their own development, including provision for greater budgetary expenditures on social protection (including education, health, etc.). But financial liberalization, both in the North, and, at the behest of multilateral institutions, in the South, has facilitated the huge increase of concentration of wealth in a few hands and allowed corporations to evade national tax regimes, thus deepening the gap between the rich and the poor. Between $456 and $506 billion leaves developing countries every year through corporate tax evasion and tax avoidance. This has been facilitated by regressive and inefficient tax policies and systems, often promoted by the IMF and World Bank, diversion of public revenue to shore up foreign currency reserves, and inappropriate and ineffective regulation to reduce capital flight and tax evasion.

Elimination of all instruments for tax avoidance and banking secrecy is crucial. Bilateral, non-binding cooperation agreements on tax reporting have not sufficed to prevent avoidance and evasion. Governments must negotiate a multilateral agreement that requires all financial centers to establish transparent and accountable mechanisms for the sharing of tax information automatically. Transparency and accounting are essential to good supervision and the building of trust in international economic relations.

Stronger and progressive taxation rules should be pursued and support provided to revenue authorities as a necessary complement to ensure developing countries’ access to their fair share of revenue generated by cross-border trade flows. Bond issues should also be used as an option for domestic resource mobilization.

We furthermore support the introduction of global taxation schemes, such as a financial transaction tax, which could raise significant funds for global public goods. An appropriately-designed financial transaction tax could also discourage some of the excessive speculation that contributed to the financial crisis, without undue hindrance of productive financial flows. We therefore welcome the decision of the
Leading Group\textsuperscript{2} to establish a new Working Group on the Currency Transaction Levy to finance a global health fund. Also measures for the adaptation and mitigation of climate change need enormous amounts of additional resources.

**Systemic Reform Towards Providing Global Financial and Economic Regulation**

The recommendations presented by the “Stiglitz Commission” reflect many of our demands:

In the short term, a "Global Panel on Systemic Risks in the World Economy" was proposed by the “Stiglitz Commission”. This Panel should be created to offer advice to the General Assembly and the Economic and Social Council, as well as to relevant international organizations.

Further to strengthening ECOSOC, the Outcome Document should commit members to establishing a working group to consider how to implement the Stiglitz Commission recommended Financial Products Safety Commission. The Commission would be a low cost means for evaluating proposed financial products submitted anonymously by national regulatory authorities to determine the degree of their risk for the financial system and their potential benefits for realizing UN member agreed goals. For example, the Commission could evaluate Green House Gas emission permit derivatives.\textsuperscript{3} This proposal could bear on the already existing work programs of the UN, ILO, UNCDF, World Bank, CGAP as well as national authorities. The UN adopted “guidelines for consumer protection” already in 1985 and is regularly issuing consolidated lists of products that are banned or restricted by governments owing to their adverse impact on health or the environment. This is an inter-agency activity that is coordinated in DESA. The key reason for producing the consolidated lists is that poor and small countries do not have the resources for comprehensive product safety testing. It would thus not be a too difficult initiative for the UN to coordinate this activity in the consumer protection area of financial products.

There is a need for a new framework to deal with the process of lending and sovereign borrowing that establishes standards of responsible behavior for all parties. Governments should establish a new debt architecture that is inclusive, participatory and democratically accountable to all, and provides for fair and transparent resolutions of cases of illegitimate and odious debt as well as sovereign debt restructuring. The UN should play a key role in the framework negotiations. The institutions and mechanisms to implement the framework agreement should be subject to international human rights norms and treaties. The new binding institutional framework should revise the current debt sustainability framework so as to prioritize human development and environmental and climate justice considerations in designing loan projects.

\textsuperscript{2} "The Leading Group on Solidarity Levies to Fund Development" brings together 55 countries, various international organizations and NGOs. It was founded after the Paris Ministerial Conference on Innovative Development Financing Mechanisms in 2006. Its action stems from the joint Declaration by Presidents Chirac and Lula against hunger and poverty at the United Nations in September 2004. Since then, it has become a leading international forum for discussions on innovative development financing mechanisms: www.leadinggroup.org

\textsuperscript{3} This proposal could bear on the already existing work programs of the UN, ILO, UNCDF, World Bank, CGAP as well as national authorities. The UN adopted “guidelines for consumer protection” already in 1985 and is regularly issuing consolidated lists of products that are banned or restricted by governments owing to their adverse impact on health or the environment. This is an inter-agency activity that is coordinated in DESA. The key reason for producing the consolidated lists is that poor and small countries do not have the resources for comprehensive product safety testing. It would thus not be a too difficult initiative for the UN to coordinate this activity in the consumer protection area of financial products.
We also support the effort to stabilize the **Global Reserve System** as outlined in the “Stiglitz Commission” report. This effort is imperative to make the most rational use of global resources. As a first step, allocations of Special Drawing Rights (SDRs) through the IMF should be allocated on a regular basis, in particular during times of crisis. Costs for developing countries’ use of SDRs should be made fixed, and preferably financed from other resources. Transfers of SDRs from rich to poor countries should be allocated based on need.

The discussion started within the G-20 on a "**Global Charter for Sustainable Economic Activity**" should take place in the only legitimate body to develop and endorse such a framework – in the UN. Such a process should be informed by the long experience of UN related bodies, the results of UN conferences and their sequels (Rio, Cairo, Vienna, Copenhagen, Beijing etc), as well as by the vision and experience of the Covenant on Economic, Social and Cultural Rights. Moreover, negotiations towards this Charter must engage the voices and experience of workers, farmers and peasants, women, youth, children, indigenous and other groups whose experience and wisdom is usually ignored by orthodox economic managers.

Governments should engage in the UN process to identify potential new bodies for regulating the global financial and monetary system. In the longer term, a **Global Economic Council** at head-of-states level should be established - as a globally representative forum to address areas of concern in the functioning of the global economic system in a comprehensive way. This Council, where all states would be formally represented in a constituency system, should supercede the economic governance roles that have heretofore been played by the G-7, G-8, and G-20. Those groupings are not global fora that can provide the global response to the financial crisis.

We trust that this Conference will result in the creation of robust **follow-up mechanisms**, which ensure all member-state and institutional participation at the appropriate and highest level. The new global economic and development architecture must be fully informed by and integrate gender equality, human rights and ecological accountability at its heart. Mechanisms have to be created to evaluate and replace economic and development policies that are severely straining the carrying capacity our planet with policies and practices that promote genuine improvement in the quality of life, especially at the margins, while reducing our impact on the earth. Working groups on the follow-up on specific agreements of the Outcome Document have to be created immediately to discuss how the proposals would be implemented. These working groups would have to report to the General Assembly meeting in March. What is needed is a holistic and serious cross-ministerial, cross-institutional, public and private sector discussion of global economic and financial concerns. Such a new mechanism should be a first step toward more integrated, effective and democratic governance of the world economy.

**Key Recommendations**

**International Stimulus Package for Development**

- Stimulus packages or support programs in industrialized countries must not distort the economic playing field or create a new form of financial protectionism.
- In the interest of all, developed countries should help to **finance rescue packages** in developing countries, and as proposed by the "Stiglitz Commission" they should invest part of their own fiscal stimulus packages in developing countries in a way that respects national ownership of their own development processes. This support should be additional to existing commitments on aid.
- Developing countries must benefit fully from these stimulus packages, through special **grant**
arrangements and ODA, and not through debt-creating loans. All crisis grants must come without any policy conditions except for conditions necessary to fulfill fiduciary obligations.

- Donor countries have to deliver on their aid promises and must convert them into legally binding commitments under the appropriate UN forum. They should step up efforts to reach the target of 0.7% and not back-track on the G8 promise to increase annual aid by US$50bn (half of which would go to Africa) by 2010. We acknowledge the EU proposal regarding short-term ODA commitment. However, more ambitious measures are needed. According to DESA, a compensatory and development financing plan, totaling 1$ trillion for 2009-2010, is needed for developing countries. Implementation should be overseen by a stimulus working group that should report to the General Assembly in September on steps taken.

- Governments should introduce an internationally coordinated Financial Transaction Tax in order to mobilize additional resources for a short-term Global Stimulus Fund and the longer-term implementation of the internationally agreed development goals, including the Millennium Development Goals.

- International stimulus packages should serve the goals of economic recovery, social justice, environmental protection and sustainable use of natural resources.

- Unconditional debt cancellation and repudiation of illegitimate debt are immediate steps that must be taken to increase the availability of needed resources in developing countries. Governments should establish a new debt architecture that is inclusive, participatory and democratically accountable to all, and provides for fair and transparent resolutions.

- Fiscal stimulus should be spent on social protection measures with a focus on vulnerability populations, especially women and ethnic minorities, and on building equitable and sustainable growth. It is vital to promote investments in human capital, in particular in education and health, as well to invest in job creation.

- Fiscal stabilizers such as unemployment benefit schemes must be supplemented by direct job creation schemes, with an emphasis on decent jobs. Fiscal stimuli should target increases in aggregate demand of sufficient magnitude to revitalize the real economy: employment, wage and household disposable income growth in ways that are compatible with the urgent need to address climate change and ecological destruction. In addition, non-debt generating resources and transfer of appropriate technology have to be made available to developing countries to cover the costs of mitigating and adapting to climate change, in accordance with the Climate Convention.

**Systemic Reform to Provide Global Financial and Economic Regulation**

- In the short-term, a Global Panel on Systemic Risks in the World Economy should be established, following the model of the Intergovernmental Panel on Climate Change, bringing together academics, civil society and policy makers.

- Further to strengthening ECOSOC, the Outcome Document should commit members to establish a Financial Products Safety Commission. The Commission would be a low cost means for evaluating proposed financial products submitted anonymously by national regulatory authorities to determine the degree of their risk for the financial system and their potential benefits for realizing UN member agreed goals.

- The Committee of Experts on International Cooperation on Tax Matters should be upgraded to an intergovernmental Commission on Tax Matters as a functional commission of ECOSOC by the end of 2009, with a commitment to formulating globally-enforceable rules that will put an end to tax evasion and avoidance. For the longer term, the Outcome Document should envisage the establishment of a new international institution for tax cooperation.

- In line with the general consensus on the need to revamp and strengthen regulatory tools for finance, the trade and investment negotiations at all levels, especially WTO negotiations on financial services and regional and bilateral free trade negotiations, must be put on hold.

- The discussion started within the G20 on a "Global Charter for Sustainable Economic Activity"
must take place in the only legitimate body to develop and endorse such a framework – in the UN.

- In line with the general consensus on the need to revamp and strengthen regulatory tools for finance, the trade and investment negotiations at all levels that affect the utilization of such tools, especially WTO and regional and bilateral Free Trade Agreement negotiations on financial services, should be put on hold.
- There should be a new agreement of cooperation between the UN and the Bretton-Woods-Institutions in order to enhance coordination and policy coherence.
- The governance structure of the International Financial Institutions must be based on democratic principles, with the involvement of all stakeholders - not just shareholders - in a transparent, consultative and inclusive process. As a first step, the World Bank would move to a parity of voice and vote for borrowing and lending countries, as called for by the G24.
- Many new and ongoing programs of the International Financial Institutions still contain unwarranted conditionalities. We therefore call for an end to the practice of policy conditionality, which has undermined democratic decision making and often imposed harmful policies on countries. All countries have the democratic sovereign right to govern their own economies, to implement countercyclical policies aimed at stimulating aggregate demand, and achieve sustainable growth with equity in the real economy. Policy conditionality impedes this sovereign right.
- The right of developing countries to determine their own policies must be respected; this necessitates elimination of policy conditionalities imposed by IFIs and restrictions on national policy space instituted through trade and investment agreements.
- The IMF and World Bank should cease to intervene in the development and implementation of national trade and investment policies. Trade and investment agreements should be reviewed so as to redress the asymmetric impact that development finance institutions and agencies have had on the negotiating space of recipient countries. The remit of quasi-juridical forums, such as the World Banks ICSID, should be reviewed and reversed to determine what future role they may have in financing for development. There is need for urgent establishment of effective mechanisms to redress the asymmetric impact that development finance institutions and agencies have had on the negotiating space of recipient countries.
- In the longer-term, a Global Economic Council should be created within the UN system - as a globally representative forum to address areas of concern in the functioning of the global economic system in a comprehensive way. The Council would provide oversight to deal with pressing economic and financial issues in a comprehensive way.
- A Global Reserve System should be created in a way that will support the development needs of poorer countries and serve to stabilize the global financial system. As a first step, allocations of Special Drawing Rights (SDRs) through the IMF should be regularized, made on the basis of need and not quota, and subject to the oversight of a specially created, democratic body. Costs for developing countries’ use of SDRs should be made fixed, and preferably financed from other resources.
- An important first step after the UN Conference is the creation of a robust follow-up mechanism, which ensures all member-state and institutional participation at the appropriate and highest level. Working groups on the follow-up on specific agreements of the Outcome Document have to be created immediately to discuss how the proposals would be implemented. The working groups would have to report to the General Assembly meeting in March.

Conclusion

The outcome document of this UN High Level Conference should reflect the urgency of the situation and contain short-term measures, to be implemented immediately as a response to the crisis. These measures must include sufficient non-debt generating funding for a global stimulus package for developing countries and economies in transition. Donor ODA commitments must be upheld according to a binding schedule.
We trust that the outcome document will specify the necessary short-term measures and also contains concrete commitments for an intergovernmental time-bound process towards long-term structural reforms. This UN Conference must be the beginning of a process for systemic change, crisis resolution and social-economic and environmental justice among developed and developing countries, and economies in transition.