

E-DISCUSSION ON THE WORLD FINANCIAL AND ECONOMIC CRISIS AND ITS IMPACT ON DEVELOPMENT: SUMMARY OF CONTRIBUTIONS

THE E-DISCUSSION WILL REMAIN OPEN UNTIL JULY 3, 2009: FULL CONTRIBUTIONS ARE AVAILABLE AT [HTTP://WWW.UN.ORG/GA/ECONCRISISSUMMIT/EDIS.SHTML](http://www.un.org/ga/econcrisissummit/edis.shtml)

[E-discussion question 1]

How is the international system (i.e. the UN and other multilateral institutions) responding to the current financial and economic crisis? What is the impact of these responses, in your country, as well as at regional and global levels? Are these responses sufficient both in addressing the current situation, and in preparing the system itself for the future? What are the critical gaps (if any) that remain?

Responses

- International institutions have created awareness and knowledge about the scope and future consequences of the crisis, and the impact on developing countries. As a result, there has been a shared appreciation of the channels and impacts of the crisis. High-level conferences such as the G20 meetings, have contributed to an articulation of the response of the largest economies.
- The crisis should not divert attention from core development challenges especially in Africa. Our discussion of the economic and financial crisis should be more comprehensive. It should analyze social and environmental aspects, including basic principles of human rights. It was also emphasized that it is more cost-effective to invest in environmental management now than to spend to mitigate the effects of environmental degradation later. Any discussion on the future of the global economy will make little sense in the long run without taking into account the environmental issues.
- The crisis is expected to further impact the delivery of aid to poor countries at a time when the need is greatest. The consequences of the crisis originated in the richest countries, but are being disproportionately borne by poor countries. Only \$9.4 billion of the \$28.3 billion - less than a third - pledged at the Gleneagles Summit in 2005 to be delivered to Sub-Saharan Africa by 2010, has actually been delivered.
- The crisis has also highlighted the urgent necessity for developing countries to build their own domestic demand for goods and services. This can only be done through improving livelihoods and raising incomes, including those of the rural population who are mostly engaged in agriculture. The UN should support initiatives that lead to this. The UN system should engage itself in these longer term solution, especially by developing state capacities.

- At a time when more cost effective use of resources is needed, international institutions compete for funding and duplicate efforts. It is critical to streamline these by going back to the Paris Declaration on aid effectiveness and the following Accra agenda for action.

[E-discussion question 2]

How can the system of global economic governance be best strengthened for the future? What are some ways in which issues of legitimacy, effectiveness and relevance can be addressed? How should a greater voice for the under-represented (State and non-State actors) be enabled? What should be the key underlying principles to guide the changes – (e.g. inclusion, decentralization, regulatory diversity, and others)? What could be the most effective institutional arrangements?

Responses

- The system as it exists is not representative enough – it needs greater representativeness and legitimacy, and perhaps new coordination mechanisms. At the same time national self interests often guide policies, and get in the way of global cooperation and regulation.
- Since the current crisis broke, there has been a significant increase in the participation of developing countries in the governance of international regulatory bodies such as the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Forum (FSF). Although this is a positive step, it needs to be improved in the following areas:
 - Small and medium countries should have some representation in international regulatory bodies with more consistent regional representation.
 - Attempts could be made to include some forms of representation from non-financial stakeholders, such as unions and non-financial corporations in both international and national financial regulatory bodies to balance their concerns, needs and perspectives.
 - Such regulatory bodies should be made accountable to established forms of political representation at the appropriate national and global levels.
 - Developing countries have benefited greatly from the support of the Group of 24 (G-24), which helps them develop their positions in relation to IMF and the World Bank matters. A similar body, possibly linked to the G-24, could be created for international regulatory issues, to help articulate developing country positions at bodies like FSF and BCBS.
 - It is highly desirable to work towards designing and creating a global financial regulator as financial markets will be even more global and sophisticated in the future.

- To complement the loans and performance indicators provided by the IFIs, the UN can complement them by supporting national governments with capacity development for monitoring, policy advocacy for social and environmental sectors. In addition, building effective partnership and coordination across development agencies and institutions is essential to respond to the many dimensions of the crisis.
- There is greater need for the global economic governance system to develop robust monitoring mechanisms that can at least flag potential problems. Apart from identifying systemic problems, there needs to be support by the international community to national governments in conducting their assessment on the impact on livelihoods and welfare of different population groups. This could include technical support to strengthen preparedness and mechanisms like an early warning system and rapid response.