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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Macroeconomic policy questions

Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference

Economic and Social Council
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New York, 28 June-23 July 2010
Item 6 (a) of the provisional agenda*
Implementation of and follow-up to major United Nations conferences and summits: follow-up to the International Conference on Financing for Development

Summary report of the 2009 Parliamentary Hearing (United Nations Headquarters, 19 and 20 November 2009)

Note by the President of the General Assembly

The present document reflects the summary of the 2009 Parliamentary Hearing held in New York on 19 and 20 November 2009, which is circulated pursuant to General Assembly resolution 63/24 (see annex).

* See E/2010/1.

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Annex

The way forward: building political support and implementing effective responses to the global economic crisis

2009 Parliamentary Hearing at the United Nations: summary report

1. The 2009 Parliamentary Hearing, which took place at United Nations Headquarters in New York on 19 and 20 November 2009, was attended by over 160 parliamentarians from some 50 countries and two regional parliaments.

Opening remarks

2. The President of the Inter-Parliamentary Union (IPU), Theo-Ben Gurirab, opened the hearing and welcomed the participants, in particular thanking the Secretary-General of the United Nations and the Vice-President of the General Assembly for their participation in the joint United Nations-IPU event.

3. The Secretary-General of the United Nations, Ban Ki-moon, observed that parliamentarians took the work that was done in the halls of the United Nations and made it real on the ground; they had their finger on the pulse of pressing issues of global concern. He was grateful that the day's hearing was highlighting effective responses to the global economic crisis, a crisis that was threatening achievement of the Millennium Development Goals and undermining security, with its most severe impact being on those least responsible for it, the poor and vulnerable.

4. That same concern for the plight of the most vulnerable had been a main driver for the Conference on the World Financial and Economic Crisis and Its Impact on Development, held at the United Nations in June 2009. It was also his rationale for mobilizing the entire United Nations network to respond in a broad and coordinated way to the economic crisis, with a primary focus on the vulnerable. The United Nations system was providing additional assistance to those who had been hardest hit, marshalling funds and operational capacities to develop a response matched to each country's needs.

5. Earlier in 2009, the Secretary-General had called for a $1 trillion stimulus effort to help counter the downturn, especially in developing countries. The Group of Twenty had agreed on a substantial package of financial support, but that was only a beginning. It was everyone's collective responsibility to make sure that good intentions translated into effective action.

> We must work to expand the voice and participation of developing countries in decision-making in general and in the Bretton Woods institutions in particular.
>
> Secretary-General Ban Ki-moon

6. The second element needed was recovery through green growth. The Copenhagen Climate Change Conference, held in December 2009, could be a

catalyst for powering green growth, and investing in green sectors would improve chances for recovery and sustainable growth. The third element was food security. As the Secretary-General said at the recent Food Security Summit in Rome, the job was not just to feed the hungry, but to empower the hungry to feed themselves. The United Nations High-level Task Force on the Global Food Security Crisis had taken substantial steps to address both the urgent needs and longer-term efforts to develop sustainable food systems.

7. The Secretary-General stated that “We also need to work together to reform global rules and institutions”, as greater transparency and accountability is a basic issue of legitimacy and public faith. Inclusive growth requires inclusive institutions. The global frameworks and bodies created generations ago must be made more accountable, representative and effective.

8. In order to meet those challenges, and others such as the need for trade and employment growth, the continued engagement of parliamentarians is critical, particularly in the run-up to the 2010 summit on the Millennium Development Goals. Their voice would be vital in maintaining the world’s commitments to the most vulnerable. In times of crisis, there was an urgent need to increase the volume, quality and reliability of aid flows, central to a coordinated global recovery plan. The Secretary-General concluded by saying that “With concerted action, we can move from recession to recovery to renewal”.

9. The Vice-President of the General Assembly, Hardeep Singh Puri, speaking on behalf of the President of the General Assembly, observed that democracy is at the core of the United Nations, in which all 192 Member States are sovereign and equal, regardless of their size or power. Democratic values do not belong to any one country, or any region. They are universal values, shared by all who seek to improve the quality of life of their citizens. Based on the rule of law, these values should guide the world in promoting peace and security, economic and social progress and development, and respect for human rights, the three pillars of the United Nations.

10. The current global economic and financial crisis, he said, threatens much of the progress achieved in recent years. The crisis has exacerbated poverty and hunger in the developing world, threatening the livelihoods, well-being and development opportunities of millions of people. No country can solve the crisis alone; it requires a truly global response. The conference at United Nations Headquarters in June, to which the Secretary-General had referred, had encouraged IPU to continue to contribute to the development of global responses to the crisis. In effectively addressing the crisis, parliaments had onerous responsibilities towards their peoples; it was encouraging to see so many parliamentarians gathered in support of the work of the United Nations and in turn benefiting from the deliberations in its truly multilateral setting.

11. The President of the Inter-Parliamentary Union, Theo-Ben Gurirab, suggested that a starting point for the present event could be the simple premise that the planet is inhabited by those who have enough to survive with decency, and those who do not. Many of those attending represent the poor meet the poor and advocate their causes. Whatever political or ideological differences divided people in the past, today’s biggest and most glaring divide is between those who are poor and those who are not.

12. There are indications of the beginnings of economic recovery. Perhaps the forces that drive the world's strongest economies are tougher than had been thought. But in many parts of the world, the calamity is still present, and it is there to stay. The employment crisis is only just beginning, and in countries rich and poor alike, the number of people scratching and scraping for a day-to-day existence has soared. If a recovery is in fact taking place, it has yet to generate jobs. The possibility of jobless growth is real and must be addressed.

13. At the same time, the world is struggling to address the food crisis, a crisis not only of production, but of distribution, quality and affordability. A massive effort is required by the international community to feed the world's hungry millions. Food insecurity and climate change are twin crises that jeopardize human survival. There must be an agreement at the Climate Change Conference in Copenhagen in December, and he appealed to all of the parliamentarians present to lobby their ministers to ensure that outcome.

> There is no point in talking about economic recovery while we destroy our planet. It makes no sense.
>
> Theo-Ben Gurirab

14. It seemed strange that the world could find 1 trillion dollars to spare to help the banking institutions that had failed it the previous year, and yet it could spare only the smallest proportion of that sum to achieve the Millennium Development Goals. It was the job of parliamentarians to think about those distortions, and to help forge the consciousness of how things really are and how they might be. It was their task to bring the voice of the people to the United Nations, and to bring the message of the United Nations back to them.

Session 1: Overview of the international response to the crisis

Panellists: Kwame Sundaram Jomo, Assistant Secretary-General for Economic and Social Affairs, United Nations; Lorenzo Giorgianni, Assistant Director, Emerging Markets Division, Strategy, Policy and Review Department, International Monetary Fund (IMF); Sylvie Lucas, Permanent Representative of Luxembourg to the United Nations and President of the Economic and Social Council; Werner Puschra, Executive Director, Friedrich-Ebert Foundation (moderator).

15. In their examination of the response to the economic and financial crisis, summarized below, Mr. Jomo reviewed the shortcomings in the global financial system that had led the world to its present parlous state; Mr. Giorgianni described the IMF response; Ambassador Lucas reviewed the proactive role of the Economic and Social Council with regard to the crisis, and Mr. Puschra gave his views on the reform of international financial governance.

16. The fact that the world has not had a properly functioning international monetary system since the Bretton Woods system ended in 1971 had resulted in several decades of inadequate and inappropriate financial regulation. Many of the

policy responses to the current crisis have been quite inadequate and to some extent characterized by double standards.

17. The financial globalization of the past three decades or so has not resulted in a net flow of funds from the rich countries to the poor ones; quite the contrary. The flow of short-term funds has been especially problematic, contributing to asset price bubbles and consumption binges. The result has been greater volatility as well as lower growth. While traditional trade protectionism has not yet been as severe as in the Depression of the 1930s, giving hopes of a less drastic decline in international trade than there was then, nevertheless there are new forms of protectionism such as financial barriers and restrictions on migration.

18. The recovery of many economies is hampered by the lag before stimulus efforts come into effect and the fact that investment recovery does not necessarily translate into job recovery. Additionally, IMF, at least up until 2009, has been concerned to ensure fiscal balance in responding to the crisis, which has constrained developing countries in particular from responding more robustly. There is a great need for systemic reform, and certainly many of the issues that were addressed by establishing the Bretton Woods system now need to be examined anew. However, there continues to be resistance to regulatory reform of the international financial system.

19. For its part, IMF, recognizing early on that the global nature of the crisis required global solutions, spearheaded a coordinated policy of fiscal expansion (2 per cent of global gross domestic product (GDP)) for those countries that had room for manoeuvre, and at the same time worked hard, together with other bilateral donors, to make sure that developing countries had adequate financing to enable them to adopt accommodative policies in support of economic growth and employment.

20. To that end, IMF had tripled its lending resources and injected some $280 billion worth of extra liquidity into the global economy in the form of special drawing rights, of which some $100 billion were allocated to developing countries. It had also stepped up emergency financing, with commitments to date exceeding $170 billion. In addition, the Fund: overhauled its lending instruments for both middle- and low-income countries; created a new country insurance instrument with no strings attached for countries with good policy track records; reduced the intrusiveness of policy conditions attached to traditional standby loan arrangements; raised the amounts of non-concessional loans that could be offered; and enabled use of Fund resources to finance budget deficits. Concessional lending has been significantly scaled up, and IMF will lend to low-income countries at zero interest through the end of 2011.

21. Countries with IMF-supported programmes have been able to avoid sharp spikes in interest and exchange rates, unlike in past crises, thus minimizing financial costs to households and companies. IMF-supported programmes have also promoted measures to protect and even increase spending on social safety net programmes. Interest rate increases were generally modest compared to past crises, in part because inflation spikes stemming from currency depreciation were avoided. Moreover, macroeconomic policies designed to help overcome the recession were backed by measures to address bank liquidity needs and protect bank deposits.

22. Another important factor was the fact that, more so than in the past, these programmes have espoused ownership by country authorities, both in the executive

and in the legislature. Policy choices made by authorities on exchange rate regimes or capital controls were, by and large, respected by IMF, and policy conditions attached to the loans were limited to areas of key vulnerabilities, such as bank recapitalization and reforms to secure fiscal sustainability.

23. The global crisis presented IMF with a test of its mandate. It was able to respond quickly by reforming the way in which it lends and rapidly putting together large emergency financing packages. But there is now a risk that, as was the case after the Asian crisis, countries may decide to amass foreign reserves to insure themselves against sudden stops in capital inflows and avoid having to turn to IMF in the next crisis. That would contribute to renewed instability by exacerbating global imbalances. The question for IMF, therefore, is whether it can further enhance its financing instruments so that it will be seen as a credible alternative to self-insurance.

24. However, without increased legitimacy of IMF its reforms are unlikely to bear fruit. In consequence, one of the decisions of the recent annual meetings of IMF and the World Bank was to accelerate the process of quota realignment, shifting some quota shares to dynamic emerging markets and developing countries, by January 2011.

25. Within the Economic and Social Council, there are three major forums that promote global partnership for development: the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development; the annual ministerial review; and the Development Cooperation Forum. The 2009 high-level meeting provided a unique opportunity for a multi-stakeholder dialogue about the impact of the economic crisis on development, including issues related to the international financial architecture and global economic governance. The event underscored the urgency of a coherent and coordinated response to the crisis and addressed the issue of strengthening follow-up on financing for development and ensuring that the policy commitments made in the Monterrey Consensus and the Doha Declaration on Financing for Development are implemented.

26. The 2009 annual ministerial review helped ensure that the international community remained focused on the crucial issue of implementing the internationally agreed development goals, in particular the Millennium Development Goals, amidst the fallout of the crisis. The preparations for the second Development Cooperation Forum in July 2010 are well under way and will place a particular focus on mutual accountability in development cooperation, South-South and triangular cooperation, as well as coherence in the way aid is managed to promote other forms of financing for development.

27. Another mandate entrusted to the Economic and Social Council by the June Conference relates to the ILO initiative entitled “Recovering from the crisis: a global jobs pact”. Further, the outcome document of the June conference contains three other important mandates for the Council, namely to promote a coordinated response to the crisis by the United Nations development system; to review the implementation of the agreements between the United Nations and the Bretton Woods institutions, with a view to enhancing cooperation between them; and to make recommendations to the General Assembly regarding the possible establishment of an ad hoc panel of experts on the crisis and its impact on development.

28. The present crisis, which originated in the United States of America, was the result of excessive financial risk-taking, and it has infected even economies that followed sound economic policies. It has thus laid bare the negative sides of unregulated globalization with the imminent danger that trust in the markets themselves and in the capitalist system has been severely shaken. There is now a need to look beyond the fiscal stimulus packages and the bailout policies that have helped to pull the world economy back from the brink and instead to engage in socially responsible and democratic reforms of domestic and international financial organizations.

29. The financial sector is crucial for any growth policy, since its basic function is to collect savings and make them available for productive investments. In recent years, the financial sector has largely ignored that function, owing to a distorting incentive system and the absence of an effective framework to regulate behaviour in the sector. Now that it has become evident that financial institutions are in reality public institutions, since the State will guarantee their survival in the last resort as long as they are big enough, it is all the more important to create a strong and universal regulatory scheme in order to avoid another crisis of such scale. Political support for such major reforms of the global economic system has to be built from the nation-state up, to the global level, and that is where parliaments come into play.

30. The crisis has also shown the complete irrelevance of macroeconomic thinking of the last 30 years, based on deregulation, privatization and leaving everything to the market. It is precisely through a lack of regulation of exotic financial produces like derivatives have been able to drive millions into unemployment and poverty.

31. The first lesson from the crisis is that of the need to create a transparent and democratic governance of the global economic system. The globalization process has outpaced the development of political institutions necessary to manage it. Global markets require global political frameworks and institutions. A step in the direction of such a global institution has been the emergence of the Group of Twenty as a summit at the level of heads of Government, not just a meeting of finance ministers and central bankers. This has arisen from an acknowledgement by the leading Governments that enhanced global cooperation and regulation are needed, but it is not a big enough step. The Group of Twenty has two shortcomings: it is self-appointed and it is weak in legitimacy. Some of the newly admitted members complain that its inner workings are not transparent and the majority of the developing countries are not represented in it at all.

32. Governance is more than just a set of rules on decision-making: at issue are the policies pursued, the interests served and the balance of both discernable and hidden power relations shaping governance. What is needed is a globalization of solidarity to parallel the globalization of capital and trade. The crisis has shown that many safety nets are frayed and that 80 per cent of the world’s population does not have adequate social protection. To deal with the looming crises of unemployment and poverty, Governments need to conduct an active labour market policy, creating decent jobs, and they need to extend social protection and social services to all, which according to calculations of the International Labour Organization (ILO) will take between 3 and 10 per cent of GNP.

33. Parliaments have the role of questioning Governments on these issues and promoting the necessary reforms. But parliaments and political decision makers need to be aware that political resistance against major changes is strong: in the United

States, the banks and financial institutions have already spent roughly $300 million on lobbying Congress against stronger regulation.

Discussion

34. In the ensuing interactive discussion there was general agreement that the international financial crisis has caused enormous damage to the developing countries. It has revealed the negative aspects of globalization: greater inequality, poverty and injustice; it has exacerbated the preceding food and energy crises; it has caused a deceleration in international trade; it threatens progress towards achieving the Millennium Development Goals; and the hardship and growing inequality resulting from the crisis could even threaten still-fragile democratic institutions. The developed countries must take responsibility for their actions and take measures to undo the effects of the crisis, but several delegates expressed doubt about whether such countries were even aware of those responsibilities.

35. It was widely felt, too, that until very recently the conditions placed by IMF on loans to developing countries, particularly in Africa, had seriously hampered those countries' growth, notably by making it difficult or impossible for them to compete on world markets. The results were job losses, worsening poverty and greater insecurity. The double standards in the international financial order must be eliminated: no longer can the developed countries continue with practices that are forbidden to the developing countries. The countries of Africa are incidental victims of the tariffs that Europe and the United States have erected against each other, but they have been forced by loan conditions to lower their own tariffs so far that produce in their markets coming from the developed world is cheaper than their own local production.

36. Urgent action is needed to alleviate the plight of the least developed countries, in particular through forgiving external debt, without conditionalities, and through providing duty-free and tariff-free market access for their products.

> For the poorest, the worst may still be ahead.
>
> Senator Muhammad Humayun Khan, Pakistan

37. In response to questions about the implications of some countries' desire to accumulate reserves for self-insurance against such crises in the future, it was explained that not only was such an approach very costly, but that it also crowded out money that could be used for social and infrastructure spending. It was preferable to rely on a lender of last resort such as IMF, in such circumstances, but that in turn meant the Fund must ensure that its lending instruments themselves did not deter countries from approaching it. It also meant that the Fund needed to have enough money to lend, and in that regard the support of parliamentarians for an increase in the Fund's resources would be vital.

38. The following points were also raised by the parliamentarians:

(a) The crisis began in the developed world; the developing countries played no part in triggering it; they should not be left alone to face its adverse impacts. To do so would be to ask the victims of the problem to solve the problem at their own expense, without providing them with the necessary means. The recovery that appears to be under way is very fragile and must be sustained with more coordinated action at all levels of policy to ensure that it takes hold and that it leads to job creation, not just growth;

(b) The crisis must not be used as an excuse for the developed countries to walk away from their commitments, in particular that of allocating 0.7 per cent of GNP as official development assistance (ODA) to the developing countries and providing duty-free and quota-free market access for the products of the least developed countries. At the same time, ODA could only be part of the solution, not the whole solution. It was important to avoid fostering a climate of dependency;

(c) Eliminating unfair agricultural subsidies in the United States and Europe, which undermine markets in Africa, is of paramount importance in the restoration of the global economy;

(d) Protectionism might be the natural response of some countries to the crisis, especially in the face of unusually high unemployment, but it must be evaluated carefully for its net effects on the economy both nationally and globally. The goal should still be to strive towards a more open global economy;

(e) While the role of the United States dollar as the world's reserve currency had contributed to the crisis, the situation was unlikely to change soon. In the medium term, alternatives might be sought, possibly based on special drawing rights;

(f) Many of the problems revealed by the crisis were long-standing, and remedies had been discussed again and again. Now, however, concrete action was needed, notably by deepening ongoing reforms of the governance of the Bretton Woods institutions;

(g) The crisis might be an opportunity to introduce innovative development financing mechanisms, such as an international currency transaction tax, a tax on air travel or a stabilization fund based on the risk class of assets. Such devices could not only help raise funds for development but could also curb speculation;

(h) The emergence of the Group of Twenty as the central locus of global economic management leaves much to be desired: the Group is not fully representative of developing countries; the least developed countries, where poverty is worst, are excluded entirely.

Session 2: Delivering a green recovery: solutions for a more sustainable economy

Panellists: Hardeep Singh Puri, Permanent Representative of India to the United Nations; Michael Renner, Senior Researcher and Director, Global Security Project, Worldwatch Institute; James Gustave Speth, Dean of the Yale School of Forestry and Environmental Studies; Jo Swinson, Member of Parliament, United Kingdom Parliamentary Group on Wellbeing Economics (moderator).

39. In their examination of the issue of delivering a green recovery: Ambassador Puri spoke of the links between the economic crisis and climate change; Mr. Renner examined some of the technicalities of what a green recovery would actually mean; and Professor Speth and Ms. Swinson both discussed aspects of the need to change the way that the success of economies is measured.

40. The global financial and economic crisis and the climate change problem are two distinct but interrelated sets of issues. And there is a growing tension between them, especially in the developed countries. In order to be generally accepted, the solution to climate change must be based on the principle of common but differentiated responsibilities and the historical dimension of responsibility and causation. It must also acknowledge the imperative of accelerating growth in the developing countries and must have the issue of equity wholly embedded in it.

41. The development and diffusion of green technologies is a crucial requirement. For the developing world the issue is one of access to such technologies at affordable prices, which will entail finding a solution that utilizes flexibilities in the intellectual property rights regime.

> Never let a good crisis go to waste.
>
> Rahm Emanuel, White House Chief of Staff

42. The response to the global crisis so far has been focused on reviving economic growth through stimulus packages. While concerns have been expressed about how green the stimulus measures have been, it was noted that these are temporary measures taken in a time of economic crisis and should not be seen as a solution to the problem of climate change. Rather, there is a need to focus on how to get industry and consumers on board to implement green measures, which will require changes, particularly in the developed world, in lifestyles and consumption patterns. Parliaments can play an important role in ensuring buy-in for these inevitable transformations by explaining to their electorates the need for urgent action to address climate change and developing the policy incentives required to combat it. While the developing world is cognizant of the fact that, with support through finance and technology from the developed world, it also needs to take action, all must be aware of the reality that the per capita emission profile of developing countries contrasts sharply with that of the developed countries.

43. The crisis can be seen as a tremendous opportunity to carry out difficult or impossible measures to address the economic crisis and the climate crisis together. There have been great expectations for considerable progress on those fronts, within the community of non-governmental organizations and elsewhere, but there is now a feeling that the international community might fall below those expectations. Worldwide only about 15 per cent of total stimulus spending can in some way be defined as green, with the percentage being particularly low in Europe and in North America. It is still an open question whether a green "New Deal" will remain mostly an aspiration or whether it can actually be translated into meaningful sets of policies and changes.

44. The world has been engaged by the idea that market-based tools can be relied upon to do the hard political work, that a handful of incentives and appeals to business will solve the problem. But such tools will be effective only if used in the framework of strong visionary public policies, which, in turn, require the political courage of leaders and parliaments to work out what those policies should look like. Governments have to do more in the way of setting ambitious mandates and standards in order to drive forward the process of green innovation.

45. This will include, inter alia: better balance in transport modes and networks; more efficient ways of organizing electricity systems; smart grids; more efficient transmission lines; and better acceptance of renewable energy feed-ins. There will be a need for technology leapfrogging, rather than marginal improvements. Simply applying known best practices to existing industries will bring tremendous potential for improvement and savings. Put very plainly, the world has to find ways to make products more durable and repairable: if we continue the throw-away culture we are just spinning in place. There is a need to shift the focus of the economy from endless selling of products to selling services, thus reducing the amount of resource exploitation as well as environmental externalities.

> ... a model of political economy that has produced enormous wealth for the few, poverty for the majority and a looming environmental catastrophe for all …
>
> Professor James Gustave Speth

46. It is clear that the enormity of the climate crisis has not been fully appreciated. Many people think that limiting temperature rise to 2 degrees Celsius is not a realistic target, and that the world is on a path towards a 4 to 6 degree rise within the current century, with catastrophic consequences. And yet political leaders are not facing up to the crisis. Meanwhile the world is beset by persistent mass poverty, huge and growing income disparities, looming food and water shortages, all now complicated by a world recession brought on by reckless financial manipulation and speculation and the failure of the United States and other Governments to properly regulate finance and other sectors.

47. To meet all of these crises together it will not be sufficient simply to move forward with the tools and approaches and policies that we already know how to use: we also have to change the fundamentals of the operating system of the global economy. That will mean recognizing that the current development model is leading the world straight to a global disaster. We have to abandon this model as soon as possible. There are many good and useful models to be examined, but the overriding question is: what is the economy for if not human well-being in all its dimensions? “We need a truly sustaining economy”, Professor Speth said, “one that gives top priority not to the things that are prioritized today, but to sustaining people, sustaining the planet, sustaining jobs and communities. But we will never find the right path unless we get beyond our current system of national income accounts, with its fetishizing of GDP, and develop a new system of indicators of social welfare to guide our societies. Current indicators are giving us very bad signals about whether we are succeeding”.

48. Current consumption and projected population growth are mutually unsustainable: that is a fact that will require people to examine what they really value. The GDP of the United Kingdom 25 years ago was one fifth of what it is today, but satisfaction with life has gone down. This finding is in line with the Easterlin paradox, namely that after a certain level of income, more does not actually make one happier.

49. Where people's basic needs have now been met, consumption has run out of control, through being seen as always a good thing. People are constantly under pressure from the media, from advertising, to want ever more material things. Having to work harder and consume more comes with a cost, whether to health, to relationships, or to the environment, but these costs are not captured in the current measure of GDP. Some new instrument has to be found that measures actual happiness and satisfaction with life.

50. Although the discourse of lower growth cannot yet apply to most developing countries, where per capita consumption is very small and has much less impact on the global environment than in rich countries, developing countries must also be mindful of the problem and can already begin to apply affordable solutions.

51. A recession is a good time to rethink. Although developing countries clearly need to increase their economic output in order to raise quality of life, it is time to challenge the notion that this holds true at every stage of development. In societies that have basic needs met, it is time to translate growing productivity into reduced working hours, more opportunities for leisure, community and family time, rather than into ever more wages and accumulation of material goods.

Discussion

> Who should sacrifice: he who has nothing or he who lives in an economy of waste?
>
> Abdelkader Cherrar, Military Police, Algeria

52. In the discussion that followed, some parliamentarians described what their countries were doing to reduce their own carbon emissions and to promote the recycling of reusable wastes.

53. With general agreement that a green economy will require sacrifice, many differing views were expressed on how that sacrifice was to be borne, especially by people in developing countries. It is clear that an economic model less centred on material production does not apply yet to most developing countries. Many delegates agreed that the causes of climate change lay in the consumption and production patterns of the developed world, which thus has a moral responsibility to rectify the situation. However, the climatic disasters caused by global warming are occurring more in the developing countries than in developed countries, lowering the pressure on the latter to take action. In the absence of multilateral action coming from the developed countries that caused the problem in the first place, individual developing countries will not be able to resolve the problem on their own.

54. Even those developing countries that have recognized that they need to assist in changing to a greener economy considered the need for massive financial support in order to be able to do so. Some participants suggested that forgiveness of developing countries' external debt would free up resources that would enable them to pay part of the necessary cost of the greener economy.

55. It was also pointed out that while all countries agreed that something must be done, all were waiting for someone else to make the first commitment. That was a

recipe for paralysis, however, and if some countries are not prepared to move, the rest should go on without them. Embarrassment and force of public opinion will soon force the laggards into step with the leaders. Here, parliamentarians have a responsibility to call for action by their Governments. What is needed is to emphasize shared benefits rather than imputing guilt.

56. The technical possibilities for doing things differently are enormous, but there are also very strong vested interests in the old industrialized countries that see benefit in continuing the economy as it is. Measures have to be put in place to reassure workers and their communities that the economy is not suddenly going to come to a halt and that they will be helped through the inevitable change. In fact, the low level of development of some countries of the South is actually an opportunity to implement green solutions, on their path to the development to which they are evidently entitled, rather than their being locked into the same mistakes that the North made when it industrialized. Urbanization in developing countries replicates many of the same consumption patterns that have been affecting the developed world, such as excessive dependence on car use. Measures must be taken to counteract this.

57. There has to be a change in people's way of life, although, in too many countries, people are too busy just hanging on to life itself. A message that parliamentarians must spread is that, in the end, no improvement in energy efficiency will ever keep up with constantly rising consumption; consumption itself must be kept in check, not just reformed towards greener products. Developing countries, too, can be mindful of the problem and begin to apply affordable solutions. Microcredit, for example, can be used to good effect.

58. There is a fundamental choice to be made: either to continue with the existing economic and social model, with adjustments such as through the introduction of renewable energy sources, or to make a complete break and move to an economy that provides general well-being, abandoning the belief that more is always better.

59. The legislators underscored the following points:

(a) Assisting developing countries towards a more sustainable development path will require strong support, both financial and technological, from developed countries. The principles of common but differentiated responsibilities must inform policy throughout;

(b) Shifting to a greener economy will require commitment to lifestyle changes. No improvement in energy efficiency will ever keep up with constantly rising consumption; consumption itself must be kept in check, not just reformed towards greener products;

(c) The impetus for change cannot come only from political leaders: there has to be greater public awareness of the pressing need for a new approach. At the same time, market-based solutions, while necessary, are not sufficient to move us towards a green economy: the role of public policy is central;

(d) Policy measures against global warming — for example by improving the insulation and energy-efficiency of houses — can generate jobs, thereby also acting against the economic crisis;

(e) Greater incentives should be provided for universities to research into renewable energy;

(f) The United Nations should develop alternative indicators for national accounts to measure the performance of economies, both in terms of whether they are really serving the interests of people, communities and nature and really contributing to happiness and satisfaction. GDP should not stand as the principal indicator of human progress.

Session 3: Addressing the social impact of the crisis: safety nets, public goods and workers' rights

Panellists: Max Sisulu, Speaker of the National Assembly, South Africa; Geraldine Fraser-Moleketi, Director, Democratic Governance Group, United Nations Development Programme (UNDP); Gert Rosenthal, Permanent Representative of Guatemala to the United Nations; Martin Khor, Director, South Centre; Charles Abbey, Executive Director, African Development Programme, International Council for Social Welfare (moderator).

60. In their consideration of the social impact of the crisis: Speaker Sisulu made some comments about the crisis from the point of view of South Africa; Ms. Fraser-Moleketi talked about legal empowerment of the poor; Ambassador Rosenthal described the impact of the crisis on Latin America and the Caribbean; Mr. Khor suggested some innovations on the issue of developing country debt; and Mr. Abbey spoke about the need for social protection systems.

61. The present turmoil has brought back to the fore old arguments on how Governments should best respond to economic crisis. Today, few economists would argue that Governments should not intervene to support economic activity: the debate mainly centres on an appropriate set of policies to respond to a crisis precipitated by greed and incompetence in the financial sector, underpinned by the policies of privatization, liberalization and labour market deregulation of past decades. The effects of these policies — stagnating wages, cuts in social protection, erosion of workers' rights — serve as testimony to the failure of such policies.

62. The global financial crisis and recession has resulted in serious economic challenges for South Africa, including contraction of the economy by 1.9 per cent, a decline in tax revenues, increased borrowing and larger budget deficit, increasing pressure on social programmes, as well as a decrease of 3.4 per cent in aggregate employment in the first half of 2009. In February 2009, Government, business, labour and community representatives concluded an agreement that sought to counter the impact of the crisis on the real economy. Some of the key elements of the framework included: a combination of countercyclical fiscal and monetary policy measures to support economic activity; expansion of the public investment programme; encouraging local procurement of supplies and services to support employment levels; strategies to help vulnerable sectors; and the development of investment incentives to create "green" jobs.

63. South Africa has also implemented a broad stimulus package that has economic and social components, including investment in public infrastructure; a social grant system; and a deep and far-reaching savings and reprioritization exercise. In addition, the Government allowed revenue to fall and for the first time borrowed to protect public spending.

64. Parliaments have a very important role to play in addressing the global financial crisis, through overseeing Government action aimed at mitigating its

effects and ensuring that the livelihoods of the people they represent are shaped by the implementation of the best economic policies available. The global financial crisis presents an opportunity for parliaments to enhance the public perception of them through robust and proactive efforts to ensure that Governments remain accountable and responsive to even the most vulnerable of people in society.

65. Legal empowerment of the poor is based on an approach to development that defines poverty as the absence of rights, protection and opportunities. The poor often languish in the vicious predicament of poverty because legal systems and processes of law fail to protect their economic rights. Empowerment of the poor is thus predicated on a holistic approach to poverty eradication that combines the underpinnings of law and human rights and the economic theories of incentives and markets. It also demands a strong focus on livelihood rights, and seeks to promote inclusion and human development.

66. Because of its critical focus on economic rights and how those rights contribute to reducing poverty, the legal empowerment agenda has strong political resonance. In many developing countries, issues of property, labour or entrepreneurial rights can be very sensitive, but when they are presented in the context of equity and efficiency, political resistance to empowering policy reforms significantly diminishes.

67. The present multiple crises present with political implications as well. And as countries seek solutions to their socio-economic challenges, they need to ensure that they use this opportunity to facilitate the changes required at the global, regional and national governance levels in order to have an impact on the realities that the poor face all over the world. Implementing the needed restructuring will be a way of ensuring that multilateralism is always guaranteed and that the United Nations is able to play the central role it should, with UNDP focusing on the development agenda in particular.

68. At the beginning of the millennium, economic growth in Latin America and the Caribbean was mediocre, with the incidence of poverty dropping only very slowly and income distribution either deteriorating or stagnant. That scenario reflected an economic model that relied on the market, and punished those sectors with the least capacity to defend themselves. It was and continues to be an exclusionary model.

69. However, there was then a significant change between 2000 and 2008. Social expenditures increased markedly, with a significant impact. As a result, the incidence of poverty diminished from 44 per cent to 33 per cent between 2001 and 2008, and the incidence of extreme poverty went down from 19.4 per cent to 12.9 per cent over the same period. At the same time, growth rates have improved. While by no means spectacular, they were enough to make a difference in generating employment opportunities. In consequence, income distribution improved in most countries of the region.

70. The first years of the century represent a significant departure from previous trends and clearly reflect the impact of public policy, in contrast to the approach of letting the market work its supposed magic. The main element of the new approach was the considerable increase in overall public expenditures, which had as a counterpart a considerable increase in fiscal receipts and the increasing proportion of expenditure that Governments allocated to social areas such as health, education and protection of the most vulnerable.

71. The positive trends of those eight years began to falter in the first half of 2008, however, with the rapid increase in the price of fossil fuels, which translated into equally dramatic increases in the price of most basic foods. The effects of the twin crises on the poorer segments of the population were devastating, with the incidence of extreme poverty starting to rise again in 2008. The next blow was the global economic and financial crisis, which resulted in falling employment opportunities, the tightening of credit, a sharp curtailment in family remittances from abroad and further fiscal constraints on public expenditures. Public policy had to swing from promoting gradually increasing prosperity to rescuing people plunging into poverty. However, paradoxically, when public interventions are most needed, the public sector confronts the greatest constraints: the impact of the financial crisis on fiscal receipts has been very negative, thereby greatly constraining the ability of Governments to undertake public anti-crisis interventions, and this fiscal shrinkage can be exacerbated by certain conditionalities imposed by the international financial institutions if countries turn to them for help.

72. In the present situation, one of the major priorities for developing countries is to avoid a new debt crisis. Many of the poorest countries were finally starting to emerge from their existing debt crisis, but IMF now estimates that several developing countries are once again on the verge of default. The United Nations Conference on Trade and Development (UNCTAD) has proposed a moratorium on debt servicing for such countries until the crisis is over, similar to the moratorium provided for countries that had suffered from hurricanes and typhoons in Central America or those that had been struck by the Asian tsunami.

73. An even more important proposal has been to establish an international debt arbitration mechanism. The idea has been proposed, in various forms, by UNCTAD, the IMF secretariat and the Group of 77 and China. Such a mechanism would be aimed at providing a restructuring of debt as soon as necessary, rather than after many years. In the previous debt crisis, many developing countries had to continuously borrow new money to pay old loans, in a cycle that went on for 20 years until the creditors realized that the process was not sustainable and finally created mechanisms for debt relief and cancellation.

74. The proposal of a debt restructuring mechanism borrows from the principles of bankruptcy law (as seen in several jurisdictions), whereby a country that may have to default on a debt would apply to an international court to obtain a standstill in debt payment. The court would appoint an auditing firm to go through the situation of that country. The creditors would be brought together, and a debt workout process would be undertaken, under which the creditors would be paid back at least some portion of what they were owed. Then the country, clear of debt and viable again, would be eligible for new loans, and the creditors would have the confidence that at least the country was no longer burdened by old debt.

75. In the recent past, for example, Argentina unilaterally restructured its own debt, telling creditors they would get money back according to what Argentina itself perceived as market value. There were angry reactions around the world, but after it had done so, many creditors offered new loans. Similarly, Malaysia recently imposed a one-year repayment standstill, as a result of which it was able to grow more rapidly than other Asian countries affected by the crisis, and within a few months the creditors came back. The lesson from these experiences is that there

should be a formal mechanism for such restructuring: countries should not have to do it themselves.

> Enhancing the coverage of social protection is not only a moral imperative but also good economics.... Attention to social protection and investments to stimulate internal demand and reduce vulnerability is imperative during the economic slowdown.
>
> Charles Abbey, International Council for Social Welfare

76. The current global financial and economic crisis did not have the same causes and points of origin as the 1997 Asian financial crisis but its impacts are similar, especially in social terms. What began as a financial crisis in Thailand developed into an economic and then a social crisis across the Asian region and then beyond. The financial crisis very quickly brought about a drastic contraction in production and employment in many countries in the region, which led to reduced demand for labour, a reduction in real wage rates and an increase in unemployment. Higher import prices as a result of real currency devaluation reduced the purchasing power of household income.

77. Now as then, those most affected are those whose human rights are least promoted and protected. Migrants and women are often the first workers to be laid off, both because the industries in which they predominate are those most affected by the crisis and because both of those groups of workers are less unionized and therefore easier to dismiss. Many of them are foreign women who are expelled in order to alleviate their host country's own unemployment problems. Additionally, workers displaced from the formal industrial sector tend to move into agricultural and informal service employment, thereby reducing their real wages. Lack of education and lack of transferable skills make this group the last to return to employment even after the economy bounces back.

78. A fall in remittances from migrants is a further consequence of the recession. There is evidence of families selling their productive assets such as land or livestock, making them even more vulnerable and destitute. Reports are also showing that poor households are withdrawing their children, more often girls, from school so that they can complement household income by working in the informal labour market. This perpetuates the intergenerational transmission of poverty.

79. As in 1997, the present crisis has revealed the need for institutions and mechanisms to help households manage risks, with creation of comprehensive social protection systems that will be in place before new crises strike.

Discussion

80. In the ensuing discussion, more detail was sought on the concept of an international debt restructuring mechanism. While it was an interesting idea, it still raised many questions: for example, what would be the position if a country was found to have been dilatory or even dishonest in its use of loaned money? The speaker suggested that the important factor, once an auditor had determined on the

basis of commercial rules that a debt was unrepayable, was to clear the debt off to make the country viable and persuade creditors to lend again.

81. It was suggested that social protection is central to inclusive growth that will lead to poverty reduction by enhancing full and productive employment and decent work based on conditions of equality, security and dignity. The development of human resources is a key component of the comprehensive growth strategy, with emphasis on education to break the intergenerational cycle of poverty.

82. One of the reasons that Asia has so much higher growth than Africa appears to be that until very recently Asia did not need to seek IMF protection. The kind of policies that IMF prohibited Africa from adopting remain standard practice in Asia, which commonly has marketing boards for its products, tariffs to protect them against outside competition and the like. Wrongly planned policies, dictated from outside, constrain countries' development and growth.

83. Many speakers examined the far-reaching ramifications of the economic crisis, including sharply reduced household incomes as a result of loss of jobs, and a reduction of migrants' remittances, leading to social crises of unemployment, worker agitation, malnutrition, increasing infant and maternal mortality and degradation of the environment resulting from the consumption of natural resources for fuel by people who cannot afford to do otherwise. In the worst cases, this will even lead to political instability and collapse, because disaffected unemployed people, particularly the young, can be manipulated by unscrupulous politicians to undermine good governance and democracy. It can even occur that the richer countries, observing this turmoil, will conclude that the developing countries have no understanding or sympathy for the rule of law and that any money donated to help them down the democratic path will simply be wasted. But such a view totally overlooks the fact that the political turmoil in the poorer countries is the direct result of the economic policies pursued by the richer ones.

84. Questions were raised about ensuring that programmes announced by Governments were in fact put into effect and that assistance did indeed reach the people who needed it. Suggestions on ways to do that included the use of oversight and accounting models to hold Governments accountable to parliament and ensure that the budgeting process is open and transparent; annual reviews of government programmes; the right (recently introduced in South Africa) of parliament to amend the budget; processes to meet the population on the ground and hear their views on current issues; processes for bringing the population at large to parliament to express their views; and youth parliaments and women's parliaments.

85. The following points emerged from the discussion:

(a) A proactive public policy is key to build and strengthen social safety nets, especially in developing countries where they are largely absent. This must include reforms for the legal empowerment of the poor, so that the poor can finally acquire land titles, property rights and other such rights to set up and run a business;

(b) Underpinning social policy measures, there is a need to move beyond the present "damage control" mode and look at the larger picture of global macroeconomic imbalances. The United States will no longer be the consumer of last resort for the world. Savings in the United States are increasing; new markets have to be sought in the countries with current account surpluses; the developing countries need to look towards increasing domestic and regional demand. Boosting domestic demand in several developing countries will require reviewing trade policies based on economic partnership agreements or free trade agreements designed in the past. Parliamentary committees on economic or trade affairs should be looking into those aspects;

(c) The current international trade and finance regime impacts directly the capacity of countries to support safety nets and workers' rights. IMF conditionality in particular has undermined the productive sector of developing countries and so by extension the revenue base that social programmes depend on;

(d) The proposed changes in quota arrangements at IMF and the World Bank are very small and will not make much of a difference in terms of the participation of developing countries in social policymaking activities by these institutions. The quota reforms must be seen as the beginning, and not the end, of a much more ambitious process;

(e) The tripartite approach to public policy, bringing Governments, unions and entrepreneurs together in negotiations about social programmes and industrial policy, is needed. Parliaments should help broker such an approach whenever it is absent.

Session 4: Building greater transparency and accountability of financial systems

Panellists: Representative Gregory Meeks, United States Congress; Jorge Argüello, Permanent Representative of Argentina to the United Nations; Peter Stephens, Director of Operational Communications, Vice-Presidency on External Affairs, World Bank; Jo Marie Griesgraber, Executive Director, New Rules for Global Finance Coalition (moderator).

86. In their consideration of this aspect of the crisis: Congressman Meeks described the view of the crisis from the United States; Ambassador Argüello reported on the conclusions of the United Nations Conference on the World Financial and Economic Crisis and its Effect on Development; Mr. Stephens presented some ideas from the point of view of the World Bank; and Dr. Griesgraber forwarded her thoughts about accountability of the international financial institutions. Their presentations are summarized below.

87. Since the global financial crisis originated in the United States, bringing to light fundamental fractures and imbalances in its financial markets, reform must begin there. But at the same time, reform must be part of a broader coordinated global effort, focused primarily on the dangers of systemic risks. The United States is moving rapidly to push through a package of reforms that will fundamentally restructure its financial system. It has made significant progress in drafting and approving the key pillars of what will become a better and more stable, yet still competitive and innovative, financial system.

88. While American financial firms remain among the leading global institutions, and the American market remains the most competitive, most innovative and most attractive globally, the financial crisis has shown that inadequate regulation can lead to systemic risks that spill across borders faster than anyone could have imagined. Owing to a fear that setting higher regulatory standards than other nations would trigger regulatory flight, sending its most prominent financial firms abroad, America's regulatory framework was ill-prepared for the financial crisis that struck with such force. The threat of regulatory flight and an international race to the

bottom remains real, but the United States is taking the courageous first step of reforming the American financial system and holding those who operate in its market to far higher standards. In doing so, it is seeking to ensure a world free of the extreme financial volatility that creates great wealth quickly for a few, and devastates and destroys wealth for so many, the world over.

89. Current United States reforms aim to ensure that sufficient capital backs all transactions, and that those who take risks are in a position to bear the full costs of those risks. This has meant drastic reforms of derivatives markets, higher and more rigorous capital requirements for financial institutions, eliminating major gaps in oversight and a new resolution and liquidation framework able to manage the wind-down of any financial firm, regardless of nature, size or interconnectedness, and paid for by the industry itself, not the taxpayer. The United Nations Conference on the World Financial and Economic Crisis and its Effect on Development, held in June 2009, was a step forward in the recognition that the grave economic and social problems resulting from the crisis required action and cooperation by the entire international community. There was a clear conclusion that the monetary, financial and trading systems had to be redesigned on a basis of symmetrical discipline to allow all members of the international community to share equitably in the benefits and obligations that result from international economic relations. It was equally evident that there was a need to put into practice adequate crisis prevention mechanisms to reduce the need for self-insurance and to facilitate the freeing-up of resources needed for development.

90. As noted by Ambassador Argüello, going forward, stronger regulation of financial systems, effective coordination of macroeconomic policies and the provision of new multilateral financial assistance instruments for the developing countries (with flexible implementation), will be needed. Such a strategy will require demanding a change in behaviour on the part of the financial sector, which by falling short of its role as the intermediary between savings and socially beneficial investment contributed seriously to the outbreak of the crisis. The crisis, which had been building up over recent decades, would not have been possible if the multilateral trading, monetary and financial bodies had carried out their mission. Instead, those institutions did not warn of the fundamental macroeconomic imbalances that were being created, did not call for the changes in course that were needed, but rather promoted the application of a skewed set of rules and lack of regulation of financial markets.

91. The establishment of the Group of Twenty as a forum for supervision of IMF, the World Bank and the multilateral development banks may provide further impetus to the reform of these institutions. The changes to come must result in the elimination of the power of veto and significantly increase the participation of the developing economies in capital, in voting power and in decision-making.

92. Transparency is crucial to development effectiveness. But for a long time that was not recognized by the World Bank. The price that was paid for that failing was in many badly conceived and badly executed development projects: dams that displaced people needlessly and made them poorer; forests that were felled, roads that were built and decisions that were made that would not have happened if the voices from outside had been brought inside.

93. As part of its attempts to change its ways and under outside pressure, in 1993 the World Bank adopted a somewhat more open disclosure policy and it has become

steadily more open since then. Very recently, its Board approved an entirely new access to information policy whereby, except for a well-defined shortlist of classified documents, virtually every other document relevant to the Bank's transactions will be released or otherwise made available. This historic step will require new systems, new technology and new staff. The outcome will be that people in the developing countries will have far more information, more quickly and on more subjects, in their own language, than ever before. It is the Bank's hope that that will help them to engage more in the issues concerning them and thereby help it to achieve better development outcomes.

> "Do you know that every man, woman and child in Cambodia owes the international financial institutions $193?" [in the late 1990s]
>
> Cambodian student

94. This new approach is driven by two key concepts. The World Bank does acknowledge that it has a huge responsibility. It can affect the lives of millions, and that brings with it the responsibility to inform people of what it is doing, and to be informed by them of what it should be doing. The second concept is humility. One of the things the World Bank has learned in the recent past is that it is not the only player, and that in many cases it is not the most important player. In the future, the Bank has to recognize that it is part of a discussion and that some of its most effective interventions come when it takes a back seat and lets civil society organizations in the countries guide it on what it should and should not be doing.

95. Parliamentarians should engage the World Bank on the national level through the Bank's executive directors (whenever possible), through the head of the local Bank office, or through the ministry of finance (as the Bank's mandated counterpart). As explained by Mr. Stephens, Executive Directors have a dual role, that of guiding the Bank and that of representing a country or group of countries. They should not forget the second part of their role. Interaction between parliaments and the World Bank is also encouraged at the global level. The Bank has been engaged with parliamentarians over the years, most particularly through the Parliamentary Network on the World Bank, and would also welcome new ways of interaction with IPU.

96. Sounding a more critical note, Dr. Griesgraber reported on a study of accountability at IMF, which had found that neither the management, nor the Executive Board, nor the International Monetary and Financial Committee were accountable to anyone. With the possible exception of the eight directors appointed directly by individual Governments, there simply was no accountability in the governance structure of the Fund. Transparency and accountability were core pillars of the recommendations that had emerged from the study. She suggested that parliamentarians could find further information at the study's website: (www.thefourthpillar.ning.com).

97. If IMF and the other international financial institutions are to have legitimacy they must have accountability, which she suggested comprised four elements: evaluation; transparency; participation; and an external complaint mechanism. Additionally, there is a very strong feeling in many organizations that IMF and the

World Bank should be more closely embedded in the United Nations, with the General Assembly, or possibly the Economic and Social Council, setting more of their policy. However, that is not the way that the major powers want things to be arranged. Instead, the major powers have set up the Group of Twenty, which, although it has come up with some excellent recommendations on the process of reform of the global financial system, is sadly lacking when it comes to those four elements of accountability. The new financial rules are supposed to be made through the Financial Stability Board, but no one outside the Board has any idea of how the rules are generated, who makes the decisions, what are the voting rules, or anything else about the process.

98. The Group of Twenty is a self-appointed body, in which a huge portion of the world's population, those living in the developing and least developed countries, is not even represented. It is very important to have the voices of developing countries louder, more informed and more articulate and to have members of parliament similarly engaged, articulate and knowledgeable. As the representatives of the people, parliamentarians have that responsibility. They are the voice of the voiceless.

Discussion

> Change is still needed at the Bretton Woods institutions, including how decisions are made and by whom. Parliaments are not sufficiently involved.
>
> Senator Rosario Green-Macías
> Mexico

99. In the ensuing discussion, there was general agreement that reforming and strengthening the international financial and economic architecture requires enhancement of multilateral surveillance and early warning systems, as well as tighter regulation and supervision. The reforms should also involve the developing and least developed countries in the decision-making process in order to enable the practice of true democracy in the international financial institutions. Reform should also include transparency as an important means of enhancing the performance and public accountability of those institutions. They should adopt a presumption in favour of the release of information, except where this might compromise well-defined needs for confidentiality. With such transparency, countries will have greater trust in the international financial institutions.

100. Further coordination of the relationship between the United Nations, the Bretton Woods institutions and the World Trade Organization will ensure better coherence in the international financial, economic and development architecture. It will also help the realignment of national and international development, monetary and trade policies. There should be a study on how international financial institutions might be more closely embedded institutionally in the United Nations system.

101. It was suggested that the absence of any parliamentary control and follow-up on the activities of the major intergovernmental organizations is a major contributor to the democratic deficit of globalization. Of the initiatives taken to counter that democratic deficit, the best example is the procedure for parliamentary oversight of

the World Trade Organization, which is organized jointly by IPU and the European Parliament. It was noted that IPU could play a similar major role in establishing such parliamentary oversight over the international financial organizations. Mr. Stephens replied that in fact the World Bank would welcome more surveillance.

102. There are already four groups monitoring the Bank's activities, but if parliamentary surveillance is to be added, that is a decision not for the Bank, but for Governments, through their representatives on the Board. Parliamentary oversight would be particularly welcome because it might resolve some misunderstandings there appeared to be about the work of the Bank and IMF. For example, with regard to conditionality, Mr. Stephens said, a majority of new loans in 2009 were to support development policy reforms that are decided upon and enacted by Governments. If there are any conditions, they are few and reflect the conditions and policy priorities of individual Governments. The old-fashioned conditionality of the 1980s is long gone. Parliamentarians should scrutinize the loan documents, which are all available under the new access to information policy, in order to confirm that for themselves.

103. The legislators also underscored that:

(a) If there is a silver lining to the global crisis, it is a reinforcement of the importance of multilateralism, and of the need for better cooperation among all international organizations. Strong collective commitment appeared to be reflected in the outcome of the June conference on the crisis and its effect on development. Global problems need global solutions;

(b) The decision of the Group of Twenty and of the United Nations conference in the course of the year needs to be taken farther in order to bring international finance under control. There is a clear need to impose more regulation of financial products like derivatives that are marketed around the world;

(c) Parliamentarians should put pressure on their Governments to increase the representation of developing countries in the Bretton Woods institutions. The expected improvement in developing countries' quotas is likely to be insufficient. Also, greater transparency in the provision of information by the international financial institutions will increase countries' trust in them;

(d) There should be a role for IPU in the establishment of a multilateral oversight procedure to monitor the Bretton Woods institutions. Such a procedure may include meetings organized in parallel with those of the governing bodies of IMF and the World Bank. More accountability and transparency should also be sought directly by national parliaments in their relations with the Bretton Woods institutions at the country level;

(e) The problem of trade imbalances will require action and adjustment by all stakeholders. The United States will need to become less of a consumer nation, while exporting countries will have to develop their own internal markets instead of relying on American consumers. China, in particular, will need to loosen its currency controls;

(f) Corruption is still a major problem that emasculates recovery efforts in many countries. It is the responsibility of every parliamentarian to work against it.

104. The hearing concluded with a presentation of some of the main points and recommendations that emerged from the four sessions. In his closing remarks, the President of IPU observed that some very interesting ideas had been raised, reflecting the deep concern of the parliamentarians with the issues of the economic

and financial crisis. Dr. Gurirab encouraged all parliaments not to let their guard down, in spite of signs that the global crisis may be near the end, and to continue to work on reforms that are viable and transformative in nature. He suggested that more thinking outside the box will be needed, especially when it comes to understanding our current development model and economic progress in general. He also exhorted all present to return home with a renewed focus on the needs of the most vulnerable in our societies.