



# INTER-PARLIAMENTARY UNION

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## **REMARKS BY MR. ANDERS B. JOHNSON, IPU SECRETARY GENERAL, AT THE OSCE PARLIAMENTARY ASSEMBLY ECONOMIC CONFERENCE**

*Dublin, 27 - 29 May 2009*

Thank you for having invited me to say a few words at this session dealing with financial regulation and good governance.

My remarks today are largely based on the discussions that took place two weeks ago in Geneva where the Inter-Parliamentary Union organized a global parliamentary conference on the economic crisis. During two days, four hundred legislators, staff and experts from committees dealing with financial, banking, economic, social and development issues in well over eighty parliaments discussed the lessons we can already draw from the crisis and the policies that need to be put in place.

I will focus on four broad areas where the members of parliament felt that their involvement is particularly essential also from a good governance perspective.

First, the economy must be revived, jobs need to be created, the financial system must be repaired, trust has to be re-established, and trade and investment need a major boost. The immediate response to the crisis therefore involves the disbursement of very significant amounts of remedial funding. We need to ensure far greater transparency and accountability in this process and Parliaments can do a lot to achieve that purpose. Some of them - I think of the German Bundestag for example - have already set up special mechanisms and procedures to ensure parliamentary oversight and scrutiny of rescue packages.

The system of governance which applies in just about every country in the world is based on the fundamental notion that people control the functioning of government and public institutions through an elected parliament. Parliaments have some soul searching to do to determine why they were unable to put this responsibility to better use. This process has started and I believe that we will see many parliaments significantly strengthening their oversight capacity as we move along.

Let me add here that this morning we have learned of an important initiative - the Extractive Industries Transparency Initiative - which seeks to ensure transparency and accountability in the extractive industry. A key ingredient we are told is the oversight provided by a "multi-stakeholder group" composed of civil society, legislators and the business community. While welcoming this initiative it is, I think, a bit sad that there should be a need for such a group in the first place. Surely parliaments should exercise the necessary oversight - it is part of their constitutional mandate - and they should do so by working with civil society and other, including from the industry itself.

Second, the crisis is gradually affecting all countries and particularly the developing and least developed nations. By and large, they do not have the means to overcome this crisis. They will clearly need international assistance. However, this does not mean that we need to make new commitments. What is required is to live up to those commitments that have already been made at Gleneagles, at the United Nations and at so many other meetings.

Parliaments need to pay close attention to these questions. If you stop to think about it for a minute, it is really scandalous how prone we are as an international community to make promises and then ignore them. At the end of the day, you are probably the only ones who can change this situation; by constantly raising the issue in parliament, by forging public support for development aid and by questioning ministers and holding them to the strictest possible account for implementing what has been agreed.

Third, we need more and better governance of the financial sector, with the State playing a more assertive part in the process. The financial system must be subjected to tighter control. Parliaments have a major part in ensuring that this happens. There must be much more accountability within and over the banking system than hitherto. Let me add here that this must also mean the Central Banks. Some Central Banks have introduced measures in support of financial institutions that have exposed taxpayers to massive risks without any parliamentary or Congressional approval.

Similarly, the credit rating agencies must be regulated and controlled to ensure that the information they produce is not misleading. But it is more than just the finance and banking system. Countries must find a fair equilibrium between the role of the State, the dynamics of the market, and the voice of society.

Employment should be central to the debate. The health of the world economy should not be measured as a function of stock market recovery, but rather in terms of its ability to provide jobs and employment that values the dignity of work. Resolving the social crisis could take the best part of a decade. It will entail a shift from informal jobs in export-driven economies towards an expansion of domestic markets and internal consumption.

We must also recognize that the crisis affects women and men differently. The crisis will at a minimum consolidate entrenched inequalities, but most likely exacerbate them, pushing women even further into poverty. Women are a driving force of our economies, formally and informally. The solutions to this crisis must therefore build on their potential, recognize their contributions and promote gender equality.

These are all fundamental issues of public policy. They need to be examined and debated in society and in parliament. This debate has started but has a long way to go. The discussions at the parliamentary conference clearly demonstrated that the solutions we seek entail more than the immediate injection of funding packages. Sustainability requires long term investment, not another consumption bubble. There should be labor-intensive investment in infrastructure. A key component of this must be strong public investment in sustainable energy.

We should also pay heed to the need for more efficient systems for the collection of tax revenue in our countries. Similarly, the policies and programs that are developed must take account of gender equality and apply tools such as gender sensitive budgeting.

Fourth, some of our discussion centered on the international financial institutions and the need for their reform. It was said that loans provided by the International Monetary Fund should be stripped of the traditional conditionalities and should not be made to the detriment of public goods and social welfare.

Parliamentarians wish to contribute to the design of a new system which is better attuned to the deeper aspirations of our citizens. Much closer interaction should be ensured with the international financial institutions in a bid to exercise greater parliamentary oversight.

The debate over good governance of the international financial institutions should not be reduced to a discussion about voting rights. It must necessarily also involve making these institutions more responsive to people's real needs, opening them up to greater parliamentary scrutiny and support.

Over the last decade, the IPU has been working with parliaments to build a parliamentary dimension to the work of the United Nations. Last year's General Assembly resolution on cooperation between the UN and the IPU brings this strategy a very significant step further. We propose that a similar process be put in place with regard to the Bretton Woods institutions. We believe that they, and the countries they have been set up to serve, stand to gain from greater cooperation with parliaments and the IPU.

Let me add two words about the report of the Commission of Experts of the President of the UN General Assembly which is headed by Nobel Laureate Joseph Stiglitz. This report has just come out and is available on the UN website. I recommend that you read it. It contains some very interesting data and analysis and some very basic truths.

This is a global crisis. It requires a global response. Reform of the existing international system must have as its goal the better functioning of the world economic system for the global good. The report concludes by reminding us that, as we are busy addressing the crisis, we should not lose sight of remedies for its underlying causes. National economic systems which give rise to high levels of inequality pose problems not only for social and political sustainability, but also for economic sustainability, i.e. excessive increases of both household and public debt.

Equally important, our response to the crisis should fully take into account the need for transforming the present mode of growth and try to slow down the overexploitation of natural resources, in particular oil reserves. Our debate this morning could therefore also usefully address the policies, laws and regulations we need to put in place to ensure investment in new environment and energy technologies.

Thank you