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Roundup

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UN Conference on the World Financial and Economic Crisis and Its Impact on Development Adopts Wide-Ranging Outcome Document

INTRODUCTION

After five days of debate, the United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development (24-26 June 2009, New York) formally concluded its deliberations on 30 June, with UN General Assembly President Miguel d'Escoto Brockmann urging delegates to be inspired by the work they had done "and sustain the same sense of urgency and commitment as we translate this bold new framework into effective action."

In his closing remarks, Mr. d'Escoto said the Conference had focused world attention on a crisis that was gripping everyone around the globe and required urgent steps to solve pressing problems and reform outdated institutions.

The Conference brought together world leaders to assess the worst global economic downturn since the Great Depression and identify emergency and long-term responses to soften its many impacts. It had been mandated at the International Conference on Financing for Development in Doha in December 2008 (see !!Go Between 118!!). On 26 June, delegates adopted a wide-ranging Outcome Document that contained recommendations to fight the global recession and follow-up processes that may open the doors to promoting deeper reforms of the global financial and economic architecture.

The Conference saw the attendance of 60 Member States at the cabinet level and the participation of more than 170 Member States during the plenary sessions. Mr. d'Escoto said there was a significant degree of resonance between the many calls and pleas made during the Conference and the decisions and recommendations enveloped in the Outcome Document. For this and many reasons, the final declaration of the Conference met the test of a plan of action suitable for the times. "It is, in short, a historic landmark – the beginning, not the end, of an important and necessary journey."

HIGHLIGHTS OF CONFERENCE OUTCOME

In a statement made on behalf of UN Secretary-General Ban Ki-moon, Under-Secretary-General for Economic and Social Affairs Sha Zukang said the Member States had used sheer political will to arrive at a consensus document that he termed a "milestone." The global consensus achieved during the Conference had helped shape a defined role for the United Nations in dealing with the global financial and economic crisis, he said. Furthermore, the Conference had delivered a powerful message to all countries, and the Outcome Document would help contain the effects of the financial crisis as it provided a way forward to improve the global economy's resilience.

Observers' take on the Conference outcome ranged from strong disappointment to cautious optimism on the way forward. Most agreed that it certainly referred to a much more comprehensive reform agenda than the one agreed to at the April G-20 Summit in London. It was also noted that there had

Table of Contents:

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been very little time for substantive negotiations once the modalities of the Conference had been agreed on (less than two months) and the outcome should be treated as the start of a process that is meant to build steam in the months and years to come.

The Outcome Document recognizes that the lack of policy coherence of the global economic system needs to be urgently addressed. It stresses "the importance of the United Nations' role in international economic issues," emphasizing that its "universal membership and legitimacy" makes it "well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture." It makes references to issues and recommendations of the "Stiglitz Commission" (see Box 1) which had contributed to the Conference preparations. These include:

- Adequate resources and policy space for developing countries to mitigate the crisis (no specific amount of resources were committed but it was generally understood that this was not meant to be a "donors' conference");
- Debt standstills, restructuring and sustainability (including the need to take appropriate measures for developing countries to avoid a new debt crisis);
- Right to use legitimate trade defense measures by developing countries consistent with WTO provisions;
- Right to impose temporary capital restrictions;
- Strengthened international tax cooperation and innovative financing mechanisms ;
- Expanded allocation Special Drawing Rights (SDRs), which could be the basis for deeper reform of the current global reserve system, with a complementary role played by regional arrangements;
- Policy coherence and consistency in global economic governance as well as reform of the Bretton Woods institutions, including enhancing the perspectives, voice and participation of developing countries in these institutions;
- Establishment of an independent panel of experts on the world economic and financial crisis that would inform "international action, political decision-making" and foster "constructive dialogues and exchanges among policy makers, academics, institutions and civil society"; and
- Establishment of an open-ended working group of the UN General Assembly to follow-up on the issues contained in the Outcome Document and report on the progress of its work to the General Assembly before the end of its 64th session (that is, by mid-September 2010).

The precise role of the UN in global economic governance reform will likely be hotly debated in the coming months. In particular, many Member States are expected to continue supporting the establishment of a Global Economic (Coordination) Council under the purview of the United Nations (see also Stiglitz Commission recommendations in Box 1).

The Outcome Document also refers to the "Global Jobs Pact" adopted at the 2009 International Labour Conference in Geneva just a few days earlier, which many regard as dealing with both short-term global jobs and demand crisis mitigation and longer term systemic reforms (see !!Go Between 119!!).

Many of these substantive issues are discussed in more detail in the following articles and report of the Public Symposium on the economic crisis and development which the United Nations Conference on Trade and Development (UNCTAD) organized with NGLS on 18-19 May 2009 in Geneva in the build-up to the UN Conference (see page XX). See also Table 1, which provides a preliminary map of the main priority areas emphasized by civil society and many Member States.

CIVIL SOCIETY VOICE UNHAPPINESS WITH RESULT BUT HOPE FOR THE FUTURE

Over 200 representatives of civil society attended and participated in the UN Conference. Representatives participated in roundtable discussions, side events and also organized a Civil Society Forum on the eve of the Conference.

On final assessment, many found the Outcome Document to be lacking in several key areas but they found hope in that the document affirms a central role for the UN in the ongoing discussion on the global economy in light of the economic crisis.

In a statement on 26 June, the Global Social Economy Group (GSEG), representing more than 200 trade unions, social movements, and non-governmental organizations evaluated the result of the Conference and expressed "serious disappointment" with the official Outcome Document. "In no way do the results of the Conference measure up to the actions needed to address the scale and depth of the economic meltdown, most evident in the jobs crisis, particularly in developing countries," the statement said.

"The Titanic is sinking and governments are thinking about the arrangement of the deck chairs," Gemma Adaba, of the International Trade Union Confederation (ITUC), said at a press conference organized by NGLS on 26 June. Referring to the analysis and recommendations of the Commission led by Nobel Prize-winning economist Joseph Stiglitz, she added: "The way forward is a way of struggle to bridge the gap between the analysis, which shows what needs to be done, and the actions, which were very weak."

At a post-conference civil society strategy session on 27 June, many participants stressed the need for effective coordinated strategies among civil society organizations, supportive governments and other actors such as parliamentarians and social movements to ensure effective political mobilization in the Conference follow-up. This would involve synergies with other global systemic issues such as climate change and the on-going global food and jobs crises. It was noted that the conference process had helped to "break the silos" between different civil society networks working on debt, finance, trade, development, human rights, decent work, climate change and gender equality, but this process had to intensify in the months and years to come, with more effective media strategies and coordinated political mobilization at the national level.

Table 1: Synthesis of some post-UN Conference strategic priorities

	Debt and finance	Democratic accountable policy space	Transformative issues
Crisis mitigation (short-term issues)	-Debt moratorium -Debt cancellation -(Unilateral) debt standstills - Short-term SDR allocations - Grants not loans -Capital controls - Maintain ODA commitments	- No loan/grant conditionalities - Trade defense measures - Unilateral capital controls and re-regulation of finance to supersede existing WTO financial services agreements and bilateral trade and investment treaties	-Global Jobs Pact (short-term crisis mitigation with transformative potential) - Global Green New Deal (i.e. global fiscal stimulus to mitigate the crisis while investing in the transition to a low-carbon economy)
Deep reform of the global financial/economic architecture	- Debt audits - Debt workout mechanism - New approach to debt sustainability	- More flexibilities in global trade rules for developing countries - Fundamentally review bilateral trade/investment treaties - Public accountability mechanisms on how greater policy space is used	-Transformative financial re-regulation -Innovative financing -International taxation and tax cooperation -New global reserve system -Regional financial architecture initiatives (e.g. SUCRE) -IFI reform (i.e. systemic exchange rate stabilization)
UN role of global economic governance	UNCTAD (calls for debt moratorium, project on debt legitimacy), DESA	Various UN spaces to promote accountability and coherence (e.g. GA, UNCTAD, ECOSOC, ILO, UN human rights bodies, etc.)	- Ad hoc Panel of Experts - Ad hoc GA Working Group - Global Economic Council (e.g. to ensure coherence of IFIs, WTO, etc., to UN social environmental development and human rights goals)

IMMEDIATE FOLLOW-UP

The UN General Assembly formally endorsed the Conference Outcome on 9 July 2009 in Resolution A/RES/63/303. Many follow-up action points were then taken up by the UN Economic and Social Council (ECOSOC) that held its 2009 substantive session from 6-31 July 2009 in Geneva (see below and !!Go Between 119!!). During that session the Council took action on the following:

Strengthening the financing for development follow-up mechanism

In a resolution adopted on 31 July (E/2009/36), ECOSOC decided to upgrade its annual High-level Spring Meeting with the international financial and trade institutions by extending its duration and holding it well in advance of the annual Spring Meetings of the Bretton Woods institutions, at least five weeks before those meetings, and in a manner that is “conducive to high-level participation” (as opposed to the current practice of holding it !!after!! the Bretton Woods institution’s Spring Meeting). It is hope that the new framework will increase the chances of positively influencing ministerial debates within the international financial institutions. The resolution also lays the ground for increasing the prominence of financing for development (FfD) issues at ECOSOC and in the General Assembly.

Panel of Experts, policy coherence and reviewing implementation of agreements between the United Nations and the Bretton Woods institutions

In a decision adopted the same day, ECOSOC asked the UN Secretariat to provide detailed reports by 15 September 2009 on three elements of paragraph 56 of the UN Conference Outcome Document:

(a) to advance consistency and coherence on policies related to the global crisis within the UN system;

(b) on reviewing implementation of the agreements between the UN and the BWIs; and

(c) on the establishment of the ad hoc Panel of Experts on the world economic and financial crisis and its impact on development (including past terms of reference and any relevant factors or experience of previous ad hoc panels).

Once the reports have been issued, President of ECOSOC is to conduct open-ended informal consultations as soon as possible. ECOSOC will also review progress on these issues at its “resumed substantive session” of 2009 in New York at a date convened by the President. In all likelihood, that would take place no later than November 2009.

UN Committee of Experts on International Cooperation in Tax Matters

ECOSOC was also mandated by both the Doha and New York UN Conferences to examine strengthening of institutional arrangements to promote international cooperation in tax matters, including the UN Committee of Experts on International Cooperation in Tax Matters. The July 2009 substantive session of ECOSOC was not able to make significant progress on this front, but it did approve the composition of the new Committee and the dates of its next meeting, which will be on 19-23 October 2009 in Geneva. Reports on the committee can also be found on the ECOSOC website.

Ad Hoc Working Group of the General Assembly

On 31 July in New York, the General Assembly adopted a resolution (A/63/L.77) that formally establishes the ad hoc Working Group mandated by the UN Conference. The Working Group will follow up on the issues contained in the Outcome Document. Mr. D’Escoto will soon appoint two co-chairs — one from the North and one from the South — to lead the Working Group as well.

(See also NGLS co-sponsored side event on 23 July at ECOSOC, page XX)

Box 1: Preliminary Recommendations of the Stiglitz Commission

The Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System – also known as the "Stiglitz Commission" – was set up to provide recommendations on international financial structures and practices as part of broad-based inputs into the preparations for the Conference and beyond. The Commission released a series of interim recommendations in mid-March and then mid-May which were meant to inform the negotiations for the Conference. The recommendations focused on: (a) new policy actions to be undertaken by governments and international institutions and (b) new institutions and mechanisms. The full final report of the Commission should have been published soon after this !!NGLS Roundup!! goes to press. The recommendations included:

a) New policy actions:

- Industrialized countries should dedicate 1% of their stimulus packages to offset the impact of the financial crisis to developing countries (in additional to traditional official development assistance (ODA) commitments).
- Immediate creation of a new credit facility. If it was established quickly enough, it could be a means of disbursing the necessary funding. The governance of the new facility should be more reflective of democratic principles, with strong representation of developing countries and those countries contributing to the facility. These governance arrangements could provide lessons for reforming existing institutions.
- Those schemes should avoid conditionalities (which induce "procyclical" policies which many countries are still required to pursue by the IMF even as these policies contribute to the crisis).
- Issuing of Special Drawing Rights (SDRs) and support to regional efforts like the Chiang Mai initiative to augment developing countries' resources.
- A new Global Reserve System (a kind of greatly expanded SDR) which could mitigate difficulties caused by asymmetric adjustment between surplus and deficit countries and redirect excessive reserve accumulation in developing countries to investments in these countries real economies (rather than subsidizing rich countries' deficit spending).
- Restricting transactions between financial institutions operating in tax havens and similar financial centres and those in more highly regulated countries.
- Strengthening institutional arrangements to improve harmonization and transparency on tax matters.
- Explore a variety of mechanisms of innovative finance, including international taxes (carbon tax and financial services tax).
- On trade issues, the Commission notes that many bilateral and multilateral trade agreements contain commitments that circumscribe the ability of countries to respond to the current crisis with appropriate regulatory, structural and macroeconomic reforms and reform packages. Developing countries need policy frameworks that can help protect them from regulatory and macroeconomic failures in systemically significant countries.
- It notes that the development dimensions of a successful completion of the Doha trade round are unclear and calls for a "true development round" to create an international trade regime which truly promotes growth in developing countries. The long recognized principle of special and differential treatment for developing countries must be preserved.

b) New institutions:

- In the short-term, a mechanism within the United Nations system – drawing on the successful example of the Intergovernmental Panel on Climate Change (IPCC) – could be created to offer consultancy to the UN General Assembly, ECOSOC and other international organizations to enhance capacity for sound decision making and constructive policy dialogue on issues of global economic and financial architecture and coherent international policy and action.
- In the longer term, creation of a Global Economic Coordination Council at Heads of State and Government level – a level equivalent to the General Assembly and the Security Council. This Council could promote accountability of all international economic organizations, identify gaps and help set the agenda for global economic and financial reforms. Representation would be based on the constituency system, ensuring that all continents and major economies are represented, as a democratically representative alternative to the G-20. It would be supported intellectually by the above-mentioned International Panel.
- Fundamental governance reform of the Bretton Woods institutions, including introduction of double or multiple majority voting in the IMF.
- New institutions proposed by the Commission include also a Financial Products Safety Commission, a Global Financial Regulatory Authority, a Global Competition Authority (notably to deal transnationally with the problem of "too big to fail institutions") and developing an equitable Sovereign Debt Restructuring Mechanism (or "International Bankruptcy Court").

Other recommendations promote actions to address flawed incentive structures in financial markets and institutions and redirecting them to promote financial stability and long term investments in the real economy. The latest full report is available online: (www.un.org/ga/president/63).

The Stiglitz Commission report also reflects many of the policy proposals contained in the global civil society consultation report prepared by NGLS in February 2009, to which more than 120 civil society organizations gave input. That report is also available online: (www.un-ngls.org/cfr).

The United States Ambassador to the UN Susan E. Rice
"The UN's universal membership and its well-institutionalized intergovernmental process gives it a unique advantage in responding to many dimensions of the crisis. Our dialogue here should focus on finding practical ways to mitigate the development consequences of the current crisis and to see the UN perform its crucial development roles with new urgency."

Deputy Minister of Foreign Affairs of Czech Republic (on behalf of the European Union) Helena Bambasova
"The EU is in favour of a key role for the United Nations in the efforts to help developing countries tackle a variety of global social, economic, financial and environmental challenges and foster sustainable development in all its dimensions... Coherence and coordination of policies and actions between the UN, the international financial institutions and the relevant regional organisations should be strengthened....We believe this UN Conference on the World Financial and Economic Crisis and Its Impact on Development is a very important event in coping with the crisis..."
Minister of Foreign Affairs of the People's Republic of China Yang Jiechi
"China supports the UN in playing a bigger role in tackling the international financial crisis and hopes that in a spirit of win-win partnership, we can explore, through this meeting, ways to counter the international financial crisis and promote common development, send out a strong signal that the international community is united as one and is engaging in sincere cooperation, and further build international consensus and step up development cooperation."

Minister of External Relations of Brazil Celso Amorim
"This Conference is an historic opportunity for change. It has brought the UN membership closer together to strengthen, improve and reform global economic governance. The fact that we have been able to agree on a balanced and ambitious Outcome Document is a testament to the vitality of the UN. It has disproved many of the skeptics. This Conference should not be an end in itself."

Minister of International Relations and Cooperation of South Africa Maite Nkoana-Mashabane
"As history teaches us, it was because of the massive concessional resource transfers in the aftermath of World War II that Western Europe recovered and set on its development path. A similar intervention helped put a number of Asian countries onto their own development trajectory.

"When progress, development and stability seem to be going out the window, poverty, instability and the threat to peace, human rights and development becomes visible.

"The international community must now show the same urgent resolve and determination to assist developing countries in particular the Least Developed Countries and Africa today if we are to collectively deliver on mitigating the negative effects of the financial crisis and its contagion effects of child mortality, abject poverty and dehumanising hunger and create a better life for all."

State Secretary for Development Cooperation of Switzerland Martin Dahinden
"The UN has demonstrated its potential to be a powerhouse of ideas and creativity. . . . [W]e believe that an ad hoc panel of experts on systemic risk can be valuable. The IPCC [Intergovernmental Panel on Climate Change], which has a very positive track record, can inspire the mandate of such a body.

Box 2: Regional Initiatives in Latin America

In a packed ECOSOC Chamber on 25 June, NGLS organized, in cooperation with civil society organizations, a side event between the President of Ecuador, Rafael Correa Delgado, and civil society that included a presentation on innovative regional financial architecture initiatives in Latin America. Below are extracts of President's statement to the 25 June morning plenary of the Conference.

"We propose, simultaneously and in parallel, in line with the political and economic realities of each region, to enhance the integration of spaces of supranational monetary-financial sovereignty, capable of reducing the perverse effects that affect our economies in view of their linkages with the international financial system.

"We are already working in our region to create a Development Bank for the South, capitalized by the countries of the region. Its objective will be to finance development projects, particularly multinational ones, to improve systemic competitiveness and connectivity among our countries, from our own priorities and giving space to local and regional currencies.

"Linked to this, we must constitute a common reserve fund for Latin America. This would prevent depositing more than 200 billion dollars from our countries in banks of the North. It is paradoxical that, in the midst of the crisis, we still allow our money to finance rich countries, in exchange for a few dollars accrued as interests.

"If we join our reserves in a common fund, we will need less money to tackle regional contingencies and crises, and excess funds would serve to capitalize the Bank of the South. This fund could be supplemented with a regional payment system, which would be the preamble of a regional central bank that would give us more autonomy with respect to the financial circuits of the North.

"To articulate the two new pillars, we propose consolidating a common monetary system, which may begin as an electronic currency to facilitate regional exchanges. This system of regional electronic payments can be set up immediately. It is only a matter of coordination and political decision. In the Bolivarian Alternative for the Peoples of our Americas (ALBA), a democratic forum which my country formally joined just 24 hours ago, this goal is already well underway, as the Single Payment Compensation System (SUCRE) is about to begin operations. This initiative and the definition of the characteristics of the Bank of the South advance, in spite of all the obstructions concocted by the status quo."

"Switzerland is convinced that an independent, representative and experience-driven body could provide informed inputs of high relevance to our decision-makers. The relevance of the panel, though, will depend on 1) its access to qualified, reliable information and data; 2) its efficient support – for instance through a strengthened Financing for Development Unit, and 3) its regular engagement with the international financial institutions, the WTO and other relevant institutions."

Minister of State for External Affairs of India Preneet Kaur
"The United Nations provides a unique forum, with unparalleled legitimacy and inclusivity…. At the UN, the General Assembly must be revitalized along with a real reform of the Security Council.... The present crisis has once again underscored the need for the Economic and Social Council to be robust and effective in coordinating global responses to global challenges…. At the BWIs, the voice and quota reform needs to be accelerated so as to make these institutions both responsive and effective as well as credible and relevant in continuing to play vital roles in global economic affairs."

ECOSOC SIDE EVENT: NGLS, ITUC AND TWN EXPLORE UN CONFERENCE FOLLOW-UP

As ECOSOC was tasked to take up many action points on the follow-up to the UN Conference on the World Financial and Economic Crisis and Its Impact on Development (see Special Section), NGLS, in collaboration with the International Trade Union Confederation (ITUC) and Third World Network (TWN), organized a side event on 23 July 2009 to brief Geneva-based government delegations and NGOs on the Conference outcome and begin discussion on the challenges and opportunities for moving the process forward.

The first panel was moderated by Hamish Jenkins of NGLS. It was noted that among civil society organizations, reactions to the Conference outcome ranged from strong disappointment to cautious optimism on the way forward. Expectations that the Conference would amount to a fundamental overhaul of the international financial and monetary system (a "Bretton Woods II") had clearly not been met, but the short time span for substantive negotiations did provide the basis to start a process to promote deeper and more comprehensive reform of the global economic governance under the aegis of the UN. "Those that wanted the Conference to be a one-off event with no follow-up did not succeed," said Gemma Adaba from ITUC. In particular, an open-ended working group of the UN General Assembly will follow-up on the issues contained in the Outcome Document (these include explicitly or implicitly many systemic issues not taken up in the April 2009 G-20 Summit, ranging from debt restructuring to a new development-oriented global reserve system).

Keeping the momentum

Senior Advisor to the President of the General Assembly Michael Clark emphasized the key role played by civil society and other actors in the build-up to the Conference. These coalitions have to be kept alive around a set of well-sequenced priorities and the consolidation of North-South as well as South-South alliances of State- and non-State actors. A key challenge is for civil society to maintain pressure on capitals to ensure that the more progressive forces within national governments prevail in future negotiations. It is important to find synergies with other processes, notably the upcoming negotiations on climate change.

The combination of strong expertise on highly complex financial topics and political mobilization had been an essential component in the build-up to the Conference as it would be for the follow-up. This included the work of the so-called "Stiglitz Commission" whose recommendations, it was noted, reflected many of the main proposals by civil society channeled through NGLS earlier this year (see Box 1). In turn these proposals were taken up by a very large number of countries in the negotiating process.

Ambassador Lumumba Di-Aping (chief negotiator for the G-77 group of over 130 developing countries and China) emphasized this point as he explained the role of civil society and think tanks in upgrading the knowledge base of delegations as part of the consensus-building process. It was noted that a key Stiglitz Commission recommendation, namely to set up a panel of experts based on the experience of the Inter-Governmental Panel on Climate Change (IPCC), was now a key feature of the Conference follow-up process, for which ECOSOC was tasked with elaborating recommendations. The IPCC had been instrumental in building consensus on complex climatic issues, as could be a comparable panel on complex global economic and financial issues.

Ambassador Lumumba stressed not only the political unity of developing countries in the process, but also the role played by what he described as the "Social Democratic North," which included progressive ministries and think tanks in Europe, as well as the commitment to multilateralism within elements of the new Obama administration that he said prevailed to some degree over more conservative factions. "Let's face it: without Obama, this deal would not have been made." He outlined three priority areas from a G-77 perspective, namely (1) effective short-term crisis mitigation, especially for poorer countries; (2) deep transformative reform of the global economic and financial architecture; and (3) the centrality of the United Nations in the reform process.

These priority areas overlapped considerably with civil society perspectives put forward by Bhumika Muchhala of Third World Network, who said that the UN Conference represented a legitimate and inclusive process, which achieved consensus among all 192 Member States, where the richest of the G-8 countries as well the poorest of the low-income countries were able to voice themselves. This historic Conference occurred at a juncture where the role of the UN in economic affairs had diminished steadily over the last several decades due to the rise of the Bretton Woods institutions' power in development financing and economic policy-making. "As such, the potential of the UN to re-position its role and reassert its voice in the area of economics and finance may show openings that it had not shown previously," she said. Ms. Muchhala outlined many of the Conference achievements which she contrasted with the April 2009 G-20 Summit outcome. These are reflected in her opinion piece on page XX.

As this event was taking place, the President of the General Assembly had put forward a draft resolution on the establishment of the General Assembly follow-up Working Group, while a draft ECOSOC resolution on the establishment of the panel of experts was being circulated.

Synergies with the Global Jobs Pact

The event also examined synergies with the Global Jobs Pact, adopted at the ILO Jobs Summit held in June 2009 in Geneva. In many respects, this represented the other side of the coin: what was the end goal of financial reforms? Finance had to be reformed to ultimately serve the real economy, the flourishing of sustainable enterprises and the goal of full and productive employment and decent work for all. Conversely, many policy options in the Global Jobs Pact would be hampered without a more supportive financial and macroeconomic framework.

Raquel Gonzalez, Secretary of the Workers' Group in the ILO's tripartite negotiations said that the Pact provided the basis for new model of development based on the Decent Work Agenda, Social Justice and a Fair Globalization. She said it addressed two main crises:

• Firstly, to counter the crisis of global aggregate demand and avoiding a deflationary wage spiral through coordinated efforts at embedding employment generation at the heart of stimulus packages, while developing a social protection floor for all and promoting basic workers rights, especially freedom of association and collective bargaining.

• Secondly, to address the "crisis of the system" through greater coherence and coordination of international organizations around decent work, reforms of the financial sector to serve longer term real economy and productive employment objectives, fiscal space as well as policy space in trade for developing countries, while managing a transition to a green economy.

Linkages with strengthening the UN's Financing for Development Process

A second panel, moderated by Martin Tsoukeu from Africa Development Interchange Network, consisted of a presentation by Eva Hanfstaengl from Jubilee Germany, on the Financing for Development (FfD) history and perspectives on the current mandate of ECOSOC to strengthen the FfD process. While it remains unclear how the FfD and UN Conference follow-up processes will interface, Ms. Hanfstaengl and other participants insisted it was essential to find ways for both processes to strengthen each other.

Further information is available online: ITUC (www.ituc-csi.org/spip.php?rubrique1&lang=en) and TWN (www.twnside.org.sg).

GERMAN PIECE

Opinion Piece: Mapping the opportunities and challenges that emerge from the Outcome Document of the UN Conference on the Financial and Economic Crisis:

Mapping some policy areas for developing countries impacted by the crisis

By Bhumika Muchhala
Third World Network

The significance of the United Nations Conference on the World Economic and Financial Crisis

The recently held UN Conference on the World Economic and Financial Crisis in New York (from 24-26 June, 2009) is in many ways an historic conference, despite the several criticisms over the Conference. The UN Conference represented a legitimate and inclusive process, which achieved consensus on its Outcome Document while encompassing all 192 Member States in the wake of the most severe financial crisis since post-World War II. This inclusivity translated into practice means that the richest of the G-8 countries as well the poorest of the low-income countries are able to voice themselves in the fora of the UN. Currently, there is no other international platform that allows for this universal level of participation.

The UN Conference occurred at a time where the role of the UN in economic affairs has diminished steadily over the last several decades due to the rise of the Bretton Woods institutions' (World Bank and International Monetary Fund — IMF) influence in development financing and economic policy-making. As such, the potential of the UN to re-position its role and reassert its voice in the area of economics and finance may show openings that it had not shown previously.

The UN Conference is especially significant for the practitioners, academics and students of development work and development policy. Unlike the preoccupation of the Group of 20 (G-20) forum with global growth recovery and the financial economy, the UN Conference focused on the recovery process for development, in essence, the development crisis within this financial crisis. It did so by addressing the disproportionate negative impacts being experienced by developing countries in this crisis, contextualizing these impacts in the irony that this crisis is not rooted in developing countries but rather the rich countries and is yet affecting developing countries more disproportionately, and by reaffirming developing countries need for adequate policy space in order to respond to the fallout from the crisis.

The UN Conference is also significant in the several ways in which it supersedes the G-20 in participation and accountability, as well as in the articulation of the crisis and the scope of how the crisis should be addressed.

Accountability and participation: The G-20 versus the UN

In the current financial and economic crisis, it is the G-20 that is the predominant international and multilateral forum in which national leaders are addressing the crisis. As many critics have described, the G-20 is a self-selected and un-accountable club of the world's richest economies. In contrast, the UN, represented by all member countries as the G-192, demonstrates that decision-making need not be restricted, and need not be carried out in a way that lacks political legitimacy. A central critique of the G-20 is that of citizen accountability. For example, where would you send a letter to the G-20? Is there a secretariat, or a response mechanism of any sort that could facilitate citizen participation in the G-20?

With regard to the actual content of the G-20's actions, the entire package of the G-20's US$1.1 trillion pledge was allocated to the international financial institutions (IFIs), and in particular to the IMF, whose resources were trebled to US$750 billion. The fact that the G-20 could give the IMF a "blank check," in that they pledged resources to the IMF without first demanding meaningful policy and governance reform at the IMF, demonstrates the G-20 countries' lack of political will, or interest, in changing institutional practices and structures so that they better serve global development needs.

Changes in the IMF's policies are especially salient given the substantial evidence of how the IMF continues to attach procyclical and contractionary conditionalities to its crisis-response loans to developing and low-income countries, advising and in some cases requiring their loan recipient countries to reduce public spending through cuts in the wages of public sector employees, freezes or reductions in pension systems, and a curbing of social benefits and bonus payments. A second part of the conditionalities the IMF attaches to its loans are increases in the interest rates, which increases the cost of borrowing in these countries at a time when capital inflows, national revenue sources, and consumer demand has decreased significantly, access to capital is difficult and many national currencies have depreciated. Furthermore, the IMF continues to give authority to an Executive Board that is characterized by deep asymmetries of representation and voting power between developed and developing countries.

Unlike the G-20, the UN addressed the specific transmission channels of the crisis in developing countries and outlined some of the measures that should be considered. While the UN Conference unfortunately did not result in more concrete commitments of financing and actions, and while many observers, especially in civil society, feel that the UN should have gone much farther in achieving commitments, the UN Conference did establish a Working Group to flesh out the key crisis mitigation measures for developing countries over the next one year. The negotiation process and the resulting drafts of the Outcome Document in the UN reflected key questions that might have been too politically sensitive for the G-20 to address, such as the debt mechanisms, trade policies, and loan conditionalities that resonate with the poorest countries.

Key development-oriented policy measures for developing countries in the Outcome Document

The UN Conference's Outcome Document presents several areas where political space and opportunity for advocacy and exploration emerges for developmental policy measures to respond to the crisis. Some of these positive opportunities that materialise through the document are policy space, debt mechanisms, loan conditionality and the follow-up process overall. However, the document also includes areas that present challenges, such as the language on debt, the Doha round of the World Trade Organization, and the blocking of the use of SDRs to address serious financing shortfalls.

On policy space, the document unambiguously recognizes, in Paragraph 15, the right of developing countries facing severe shortages of foreign reserves to use "legitimate trade defence measures" in accordance with WTO provisions. This would include the right to raise tariffs within WTO bound rates and the ability to use balance-of-payment safeguard provisions.

Paragraph 15 also recognizes the right to "impose temporary capital restrictions, and seek to negotiate agreements on temporary debt standstills between debtors and creditors." Temporary controls over capital outflows are not only technically consistent with the IMF's Articles of Agreements but have also been pursued by Asian countries during the 1997-98 financial crisis.

While the document recognizes right to negotiate temporary debt standstills, it does not go far enough in this measure, largely because debt standstills are to first be negotiated with creditors. For example, even the IMF's Board stated in an agreement in 2000 that "in extreme circumstances, if it is not possible to reach agreement on a voluntary standstill, members may find it necessary, as a last resort, to impose one unilaterally."

The threat of a new debt crisis in developing countries has been alerted to by various organizations ranging from the IMF to the Jubilee Campaign for debt cancellation. In a March paper ("The Implications of the Financial Crisis for Low-Income Countries") the IMF stated that as many as 31 countries would be pushed into a high level of debt distress by the financial crisis. A recent report by the German organization Friedrich Ebert Stiftung on the emerging debt crisis also states that many developing countries will be unable to weather the financial crisis without falling into new debt burdens.

Although the Outcome Document, in Paragraph 34, calls for the exploration of "enhanced approaches to the restructuring of sovereign debt based on existing frameworks and principles," a key problem in this language is that the very frameworks and principles that already exist need to be significantly reformed in order to address the debt overhang of developing countries. However, the last line of the paragraph calls for further exploration of "a more structured framework for international cooperation in this area," which could potentially open the path for the consideration of orderly international debt workout mechanisms, which can also be addressed in the follow-up process.

The call for a debt moratorium for developing countries has been voiced by UNCTAD Secretary-General Supachai Panitchpakdai several times this year, and has also been used during the Asian financial crisis. This proposal was put forth by the G-77/China group during the negotiations on the Outcome Document. However, while it did not survive the opposition of the US, the EU and Japan, it can be pursued further in the follow-up working group.

The foreign exchange shortfall facing developing countries ranges from the World Bank's estimate of US$1 trillion to the UNCTAD's estimate of US$2 trillion. This serious financing gap is a result of a disastrous confluence of negative impacts being suffered by developing countries: large declines in exports, commodity prices and remittances, currency depreciations, reduced or even reversed capital inflows and foreign direct investment (FDI) flows, and the reduced and more difficult access to credit.

To address this, developing countries in the G-77/China group proposed that US$100 billion worth of SDRs be allocated by the IMF to low-income countries at no cost to them, while another US$800 billion be disbursed to middle-income countries, which can be returned to the IMF when the crisis effects subside, in order to avoid inflationary impacts. This could potentially enable a countercyclical, low-cost and relatively speedy way to pursue "quantitative easing" at the global level (which the US and other rich countries are doing through lowering their official interest rates).

The blocking of this proposal resulted in a missed opportunity to provide urgent liquidity to cash-strapped developing countries on the most beneficial terms possible — without creating additional debt and without imposing harmful conditionalities. Meanwhile, the G-20's proposal to allocate US$250 billion according to IMF quota shares rather than on the basis of need means that the overwhelming share of that amount will go to the very developed countries who least need the SDRs they will get. However, here too, the Conference's follow-up process is given the ability to further study the role of SDRs for "development purposes," as stated in Paragraph 35.

As the crisis has unfolded over the last one year, the acute need for developing countries to have the kind of flexibility that rich countries have in pushing countercyclical fiscal stimulus policies has been voiced frequently and by a diverse range of actors. The Outcome Document, in Paragraph 17, pays heed to the "unwarranted procyclical conditionalities" that many IMF loan programmes still contain, and which restrict developing countries from pursuing fiscal stimulus. Similarly, trade-off between the loss of policy space and the adherence to international rules and commitments, particularly those within trade and investment agreements, are also called attention to in Paragraph 18.

While the document calls for the governance reform of the IMF and World Bank, it calls for the completion of the Doha round of the WTO. Many trade advocacy organizations have articulated that this would be problematic given the fact that the General Agreement on Trade in Services is a key part of the Doha round, and it supports capital account liberalization and other financial liberalization measures which have played a critical role in instigating the crisis at its roots.

A strong and enduring follow-up process is necessary

The establishment of the "ad hoc open-ended Working Group," in Paragraph 54, is imperative because it is the key mechanism that prevents the UN Conference from becoming a one-time event with little effect. For the developing countries that do not have any other international venue for discussion and action on the crisis, the UN Conference is an invaluable vehicle. The matter of how strong the working group will be, how much it is able to flesh out and develop further, and how much effective participation it can get will be an oncoming test of the UN. The President of the General Assembly, Miguel d'Escoto Brockmann, has already issued a draft resolution which calls for the establishment of the working group, driven by Member States, and with his selection of two co-chairs, one from the North and one from the South.

Paragraph 56 states: "Consider and made recommendations to the General Assembly regarding the possible establishment of an ad hoc Panel of Experts on the world economic and financial crisis and its impact on development." A key potential of such a Panel of Experts is the ability to provide a menu of policy options, and thereby to challenge to the one-size-fits-all framework of neoliberal policies of the Washington Consensus and the BWIs. Many members of civil society have been consistently advocating for a broader range of policy options and scenarios to be discussed with developing countries during the negotiation of loans and agreements. It will be the task of civil society to push for ensuring that the Panel of Experts is representative, diverse, and reflects development-oriented economic policies.

Paragraph 56 also calls for a "review of the implementation of the agreements between the United Nations and the Bretton Woods institutions," and a focus on "enhancing collaboration and cooperation." Implicit within this is a strengthening of the role of the UN. While it may not occur overnight, or even on the near horizon, a certain momentum is nevertheless rendered here through the discursive and symbolic power of the document.

UN Human Rights Experts Statements to the Conference:

United Nations human rights experts urged the UN General Assembly to adopt human rights as a framework for analysis, action and accountability in their responses to overcome the world financial and economic crisis

Experts on extreme poverty and foreign debt submitted briefing notes for the General Assembly to take into account during the Conference on the World Financial and Economic Crisis and its Impact on Development. They called on States to respond to the crisis "with measures that promote long-term recovery, focusing on the human rights of those suffering its worst effects." Below are their statements.

The impact of the global economic and financial crisis on foreign debt and the enjoyment of human rights

Statement to the UN Conference of Cephas Lumina, Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

More than six decades ago, the General Assembly of the United Nations adopted the Universal Declaration of Human Rights (UDHR) which proclaimed that "[a]ll human beings are born free and equal in dignity and rights" (Article 1) and that "everyone is entitled to realization, through national effort and international cooperation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity" (Article 22). The Declaration further proclaimed that "[e]veryone has a right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment . . . or other lack of livelihood in circumstances beyond his control" (Article 25) and that "[e]veryone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized" (Article 28).

In the Millennium Declaration, world leaders pledged to "spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty" and committed themselves to achieving a number of time-bound goals, including a 50% reduction on extreme poverty and hunger by 2015. Although some US$27 billion in new aid resources has been made available since the Millennium Summit and despite the commitment to "spare no effort" to reduce poverty, not all of this aid has been available for poverty reduction goals. Further, almost all rich countries have failed to reach the agreed 0.7% target (the amount has been around 0.2 - 0.4%).

Despite the various political commitments made since the adoption of the UDHR, the realization of "dignity for all" remains an unfulfilled aspiration and poverty continues to erode or nullify many economic and social rights set out in the Declaration and in other binding international human rights instruments based on it.

The financial and economic crisis has and will continue to exacerbate these shameful realities, and it jeopardizes States' abilities to fulfil their human rights obligations, particularly economic, social and cultural rights.

Impact on debt and human rights

The decline in income from exports and fiscal revenues due to the crisis will almost inevitably constrain countries to seek funds in the form of loans. Countries which are already struggling to fulfil their basic human rights obligations will face increasingly difficult obstacles as national funds grow scarce, and conditions for contracting loans grow increasingly stringent.

The relief efforts proposed by the G-20 do not provide for sufficient funds in direct support for countries in the most dire of circumstances. While the International Monetary Fund (IMF) will receive a massive increase of funds, these funds will not be effective in curbing the negative effects of the crisis unless the sovereignty and individual contexts of developing countries are respected. Loan negotiations with both multilateral and bilateral institutions must respect the principle of participation — debtor countries must be the lead actors in devising solutions for their own contexts, in partnership with creditors. Furthermore, programmes supported by the loans should be designed and analyzed in terms of their impact on the realization of human rights, rather than by only economic measures.

Developed countries have injected massive subsidies into ailing institutions and adopted measures to regulate their financial sectors in response to the crisis, This response is in stark contrast to the procyclical fiscal policies (i.e. government spending increases during boom times and falls in recessions) that developing countries have been constrained to implement as a condition of receiving financial support from the international financial institutions and developed countries. The measures also arguably contradict the World Trade Organization (WTO) rules on subsidies. This double standard is inconsistent with the commitment, in the Millennium Declaration, to "an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system" (paragraph 13).

I call upon all States to address the issue of the indebtedness of low- and middle-income countries as a matter of urgency and in the spirit of the principle of international assistance and cooperation enshrined in the UN Charter and several international instruments, and the principle of shared responsibility which is enshrined in both the Millennium Declaration and the Monterrey Consensus. I also call upon all States to support the establishment of an international debt arbitration / dispute resolution mechanism as part of a longer term solution to the debt problem. Further, I encourage revision of the Debt Sustainability Framework in a manner that the ability or capacity of States to fulfil their human rights obligations is considered as part of the definition of debt sustainability. Human rights considerations should inform all efforts to address the debt problem, including debt relief initiatives.

International assistance and cooperation

States bear the primary responsibility for the human rights of people under their jurisdiction. Nevertheless, the need for international cooperation and assistance in the realization of human rights has also long been accepted. Article 1(3) of the UN Charter states that the purposes of the United Nations include the achievement of "international cooperation in solving international problems of an economic, social, cultural or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all." The obligations of international assistance and cooperation are further enshrined in several human rights treaties, including the International Covenant on Economic, Social and Cultural Rights (ICESCR), Convention on the Rights of the Child (CRC), and the Convention on the Rights of Persons with Disabilities (CRPD). The global crisis has heightened awareness of and underscores the need for greater international cooperation.

According to the UN Committee on Economic, Social and Cultural Rights, international cooperation for development and thus for the realization of economic, social and cultural rights is an obligation of all States and "it is particularly incumbent upon those States which are in a position to assist others." In this regard, the attention paid to the particular needs of developing countries, particularly the poorest, in the April 2009 G-20 Communiqué is welcome. However, these efforts and pronouncements are insufficient and unfortunately suggestive of creditor largesse.1 The G-20 response also appears to ignore the human rights dimension of the crisis. International assistance and cooperation must be directed towards the establishment of a social and international order in which the rights and freedoms set forth in the ICESCR (and the UDHR) can be fully realized.2

Reform of the international financial system

The international financial system has been "completely overwhelmed" by the scale of the current financial and economic crisis and is in need of urgent reform to prevent future crises.3 The problem however is that the "global response" to the crisis so far has excluded the majority of countries.

No equitable and sustainable solution can be provided by non-inclusive forums in which only a handful of countries participate. It is therefore important that all countries participate in the reform of the international financial architecture. As the only inclusive institution with global legitimacy, the United Nations should be at the forefront of efforts to reform the international financial system.

The international community needs to work together to develop a framework for responsible financing that incorporates the principles of fairness, mutual accountability and transparency, and enhances the capacity of States to fulfil their human rights obligations. As the 2009 Amnesty International Report notes, "the consequences of the economic crisis can only be addressed through a coordinated global response based on human rights and the rule of law."

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THE URGENT NEED TO STRENGTHEN SOCIAL PROTECTION SYSTEMS

The world faces its worst recession since the 1930s. While people in developed countries are feeling the impacts of the crisis, there is a global consensus that those who are already living in poverty, particularly in developing countries, are the most vulnerable to the harsh effects of the downturn. Now, more than ever, it is time to recall that ensuring an adequate standard of living for all is not a policy choice, or a mere gesture of solidarity in a moment of crisis, but a clear-cut human rights obligation. United Nations Member States must not just repair the problems, revealed by the crisis, in the architecture of the international financial and monetary system. This crisis also offers an opportunity to review social policies and strengthen social protection systems, particularly in developing countries, to protect people during the crisis and thereafter.

The impact of the crisis on the poor

While the greatest impacts may be difficult to quantify, as of today there is no doubt that the financial crisis does not only have financial and monetary implications; the negative impact of the crisis on the enjoyment and realization of human rights is both evident and alarming. The financial crisis has exacerbated the difficult situation of the extreme poor, who were already greatly affected by last year's dramatic rise in food and energy prices and by the challenges posed by the impact of climate change. More than 125 million people have already been pushed into poverty as a result of the food price crisis and estimates project that the current crisis may push 55 to 90 million more into extreme poverty in 2009.1 According to the Food and Agricultural Organization (FAO), the number of people suffering from malnutrition is expected to reach a historic peak of over one billion people in 2009.

According to predictions from the International Labour Organization (ILO), in 2009, between 18 to 50 million more people than in 2007 will lose their jobs.2 Not only will there be more unemployment, but labour conditions are also likely to worsen due to the shortage of opportunities. Although every person is responsible for their own development, people lose the capacity to achieve an adequate standard of living for themselves and their families when they cannot access jobs or social protection.

Evidence from past crises indicates that some groups are more affected than others. First, women are disproportionately affected, due to the multiple forms of discrimination that they suffer and due to their limited access to work and social benefits. Women have a higher probability than men of finding themselves in a vulnerable employment situation or being unemployed. Moreover, during periods of crisis, women tend to assume a heavier load of unpaid work and family care. Cuts in social spending also tend to disproportionately affect women's and girls' access to education and health services. Girls may be withdrawn from school to help with the household work, reinforcing gender gaps in education. Children have also already been severely affected by the crisis. In developing countries, a recession can have long-term negative impacts on children by, for example, increasing infant mortality and reducing school enrolment and standards of nutrition. Evidence consistently shows that where mothers and children have poor health, nutrition and education, they are likely to transmit poverty on to the next generation.

In moments of economic recession, those that are the last to enter and the first to exit the labour market — the youth, the elderly and persons with disabilities — are also affected disproportionately. The current crisis is also likely to affect indigenous peoples disproportionately. Additionally, in times of recession, migrants face particular difficulties caused by a lack of work and increased discrimination and xenophobia.

Yet, the impact of the financial crisis is not only limited to violations of economic, social and cultural rights. Evidence indicates that economic hardship and greater inequalities increases social tensions and can lead to social and domestic violence, increased criminal behaviour and weaker governance.

The need for strong and stable social protection systems

The global financial and economic crisis must be seen as an opportunity to undertake innovative solutions in full compliance with human rights obligations, and to place people at the centre of policy measures. While this crisis should prompt the international community to re-structure the global financial and monetary systems, it also offers an opportunity to review existing social policies, strengthen social protection systems and re-structure taxation systems at the domestic level. This should be in compliance with human rights norms, in particular with the right to social security, which is enshrined in the Universal Declaration and in international human rights treaties that impose obligations upon States.3

Social protection systems act as economic stabilizers, protect the most vulnerable from falling further into poverty and ensure access to health services and education. They also assist in building social cohesion, which in turn can reduce the likelihood of social unrest. Moreover, they limit the contraction of aggregate demand, thereby curtailing the potential depth of the recession.

Social protection benefits that include social assistance (non-contributory) and social security (contributory) benefits may facilitate States' compliance with a minimum core level of enjoyment of economic, social and cultural rights. Considering its long-term positive effects, it is certainly a paradox that States do not prioritize social protection: an estimated 80% of the world's population does not benefit from any form of social protection.

From a human rights perspective, a more systematic strategy is needed to react to this crisis and ensure the right to social security for all people at all times. Governments should avoid the risk of seeking short-term quick fixes to poverty and insecurity while neglecting longer term solutions that would help to correct the fundamental inequalities in the global economy and society. This includes creating the fiscal space — through appropriate and progressive taxation — to meet new challenges. It is critically important that States increase resources to strengthen existing social protection systems or to introduce systems where they do not exist yet. Social protection must be included as part of the respective economic stimulus packages.

States with well-established social security systems should restrain from cutting allocations to finance security benefits and should take this crisis as an opportunity to correct mistakes made during the last two decades, in particular with regards to having rendered pension levels vulnerable to the performance of capital markets. In countries where only rudimentary systems exist, they should be put in place based on the principle of progressive universalism. They should first ensure a minimum set of social security benefits for all or a "Social Protection Floor."

The Social Protection Floor stands as a promising way forward

The "Social Protection Floor" initiative put forward by the UN Chief Executives Board, which consists of a set of measures to stimulate the establishment and enhancement of social protection systems, is a powerful initiative. It is highly encouraging that the rationale of the Social Protection Floor is the plain recognition that short-term measures, such as safety nets limited in reach or time, often fall short of reaching their intended objectives of reducing poverty and inequalities.

Ensuring access to basic social services and guaranteeing a minimum essential level of benefits to all individuals and families, coupled with the commitment to achieving higher levels of services and benefits as fiscal space for redistributive policies widens, can help all States to invest political will and financial means into realizing core minimum obligations with respect to economic, social and cultural rights. Moreover, it could turn out to be a valuable State policy instrument to reduce poverty.

Social protection benefits that are targeted at restricted categories of the population often carry limitative features in their design or in their actual implementation. They often exclude more potential beneficiaries than they include, thereby perpetuating discrimination. They also create perverse incentives, stigmatize individuals, threaten cohesion in rural communities, and facilitate corruption and clientelism, none of which are in the interests of either individuals or the State. It has been long recognized that the share of wealth that a society is ready to invest in redistribution is a matter of political will rather than a matter of budget. By promoting universal coverage, the Social Protection Floor can contribute to setting the principle of equity and non discrimination at the root of social policy making.

With political will a basic social security package is not an aspiration but an affordable reality

It is time to put at end to the myth that basic social security packages are unaffordable or unworkable in practice. According to the ILO, less than 2% of the global gross domestic product (GDP) would be necessary to provide a basic set of social security benefits to the entire world's poor.4 Six per cent of global GDP would be needed to provide a basic set of benefits to all who have no access to social security.

While in the poorest countries a social protection scheme is likely to require the support of external sources, according to the ILO a set of minimum transfers is not costly in per capita terms. A costing study of 12 low-income developing countries shows that the initial gross annual cost of the overall basic social transfer package is projected to be in the range of 2.3 - 5.5% of GDP in 2010. Even if a complete basic social protection package cannot be implemented at once, a sequential approach can generate immediate benefits in terms of poverty reduction, pro-poor growth and social development. Individual elements such as a universal basic old-age and disability pensions, for example, have a projected cost of between 0.6 - 1.5% of GDP in 2010.

The impact of even small measures is significant. The combination of a modest cash benefit for children and a modest pension, which could be an "entry level" social protection floor for poorer countries, could reduce the poverty head count by about 40% in some instances. The impact will be more pronounced during an economic crisis, and such an expenditure can be an important part of an economic stimulus package.

However, the fact that the per capita amounts are relatively small does not mean that the funds are currently available, or could be met solely from domestic resources in low-income countries. In many countries it will require a joint effort with the international community and the recipient countries to raise the funds.

Fulfilling longstanding commitments

To this date, US$18 trillion has been allocated to recapitalize banks, nationalize financial institutions and provide guarantees for financial assets,5 with the justification that if the financial system collapses completely socio-economic repercussions would be more severe than they are now. Yet, such unique demonstration of political will must be seen in contrast to the continuous failure by most governments to honour their long-standing commitments to the target of 0.7% of gross national product (GNP) for official development assistance (ODA) and meeting the commitments made in the Millennium Declaration.

Despite the clear potential for social protection schemes to mitigate the effects of the crisis, it has been all but ignored by international community thus far. There is no mention of social protection even in the Millennium Development Goal targets and indicators. Only 5% of the US$1 trillion global stimulus package created by the G-20 in April was allocated to supporting social protection, boosting trade and safeguarding development in low-income countries, and only a small portion of that will come in the form of grants for social protection.

Beyond reaffirming political will to rescue economies, the United Nations General Assembly must mobilize action to fulfil longstanding commitments with regards to those who continue to suffer the most acute consequences of economic shocks. States should establish a joint Global Social Security Fund as a funding mechanism to support the start up or scale up of national social protection floors. The World Solidarity Fund or the Rapid Social Response Fund under the new Vulnerability Finance Facility endorsed by the G-20 could be used a vehicle in this regard. It is time to accept that even in the absence of financial crises, but particularly at this time, social security systems are necessary to effectively fulfil the longstanding commitments to end poverty and promote human rights.

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Opinion Piece: WWG on FFD Stays Engaged for Gender Equality

by Marina Durano

Development Alternatives with Women for a New Era (DAWN)

When the Outcome Document of the UN Conference on the World Financial and Economic Crisis and Its Impact on Development was formally adopted by Member States, the Women's Working Group on Financing for Development (WWG on FFD) took note of the sober climate in the General Assembly. The Outcome Document reflected the difficulty in overcoming systematic resistance to genuine reform of global economic governance that bridges the North-South divide. It was especially tough for negotiators to secure the central role of the United Nations, or the G-192, in economic governance and the international financial architecture. For the WWG on FFD, serious concern is placed upon the consistent references in the Outcome Document to a "United Nations Development System." The WWG on FFD views these references as attempts to curtail the UN's role to a limited arena of humanitarian assistance and development cooperation. The future of genuine reforms now depends on Member States' actions to create a working group that is empowered to follow-up on the issues contained in the Outcome Document.

There is indeed plenty of follow-up work to be done. The Outcome Document contained some progressive language, offering new ideas related to financial, structural, and systemic reforms, including debt relief, respect for policy space, right of countries to adopt countercyclical measures, reform of the global reserve system, need for effective regulation and oversight of the financial system, and more balanced trade, to name a few.

The follow-up work will also cover language in the Outcome Document that recognizes women as facing "greater income insecurity and increased burdens of family care" (paragraph 3) and of women and children had been mostly impoverished by the crisis (paragraph 7). Gigi Francisco, General Coordinator of DAWN, reminded the Conference co-facilitators from St. Vincent and the Grenadines and the Netherlands of the importance of social reproduction and the care economy in economic policies in a luncheon event organized by NGLS before negotiations began. The Outcome Document further recognizes that responses to the crisis needs to have a gender perspective (paragraph 10), mitigation measures should take into account gender equality, among others (paragraph 21), and leadership appointments in the international financial institutions (IFIs) should take regard of gender balance (paragraph 49).

The political challenge for gender equality advocates has been to raise the issues without risking isolation from its would-be allies. Developing countries, sometimes viewed as detractors against gender equality, already have women's development and gender equality policies and programmes in place as part of each Member State's national development plans. Given that the Conference sprung from a heavily contested paragraph during the final hours of the Doha Review Conference on Financing for Development (see !!Go Between 118!!), the WWG on FFD needed to find a way to bring gender equality issues forward without adding controversy leading to a widening of the North-South gap. An affirmation of the commitments already made by Member States towards the achievement of women's rights and gender equality would help in deterring potential attempts at disengagement by citing absence of a reference. On the other hand, insistence on gender equality issues devoid of interlinkages with many of the macroeconomic policy issues that the Conference wanted to cover would have resulted in disenfranchisement for the advocates.

The WWG on FFD used several avenues of communication with various stakeholders to keep gender equality issues within everyone's radar screens. Relations with the various offices in the UN Department for Economic and Social Affairs (DESA) as well as with the Office of the President of the General Assembly allowed for an exchange of views and information that placed many of the debates within the context of the UN's unique political setting and governance structures.

At the 53rd Session of the Commission on the Status of Women, the WWG, in cooperation with UNIFEM and NGLS organized a number of side/parallel events where DAWN presented at the "Financial Crisis Workshop: Policy Issues and Priorities," (see also !!Go Between 119!!). The text was also distributed to government delegates at the CSW's "Interactive Expert Panel on the Emerging Issue: The Gender Perspectives of the Financial Crisis." DAWN/WWG on FFD was one of the first women's networks that swiftly raised the need for a new financial architecture and bold policy reforms and alternatives meant to address systemic issues. This was its response to the financial crisis that was already affecting developed and developing economies at that time, and bringing devastating consequences, especially for the poor that did not have access to adequate social protection.

In its advocacy strategy, the WWG on FFD relied upon the alliance between feminist economics and heterodox economic approaches. This alliance has proved useful for feminist activists and gender equality advocates in securing a space for their issues, concerns, and proposals in the arenas of debate. The two approaches on economic thought provided the WWG on FFD credibility in an arena dominated by technocrats and experts on macroeconomics and finance. This has meant that feminist activists and gender equality advocates learn to "talk the talk." The political gain in learning the economics language is that counterparts become more open to gender language.

Thus, the questions that feminists often raised were: where is the place for social reproduction in the economy and how do we redistribute resources and opportunities equally? How do we put an end to the production and reproduction of inequalities by neoliberal economic policies? The gendered impact of the global economic crisis have been raised consistently: the crisis impinges upon the time burdens of women; the possibility of absorbing the care burdens even more as market-based services or public services become less accessible. It also leads to higher unemployment rates, or worsening of working conditions, or poor women increasingly being marginalized into the informal sector. This describes the fate of women with every crisis. When questions are asked in this way, the answers must necessarily address the challenges of securing both equity and equality, particularly with respect to the collective responsibility for provisioning and the improvement of wellbeing.

The Women's Working Group on Financing for Development commits itself to keep fully engaged in all follow-up processes and to build bridges between commitments and action in development, trade, finance, debt and systemic issues and women's rights and gender equality commitment and goals which are consistent with the action agenda of the Monterrey Consensus. Engendering the financing for development process cannot be realized without a holistic approach that looks at the inter-connections among trade and finance in all its different forms — aid, investment, debt and domestic savings — and their systemic underpinnings.

In 2010, we will be celebrating the 15th anniversary of the Beijing Platform for Action. This is an important milestone for those who continue to believe in the United Nations, including women's organizations and networks. Moving forward for the WWG on FFD means that it needs to work not only on political arenas labelled as "women and gender," but just as importantly, seeking political breakthroughs in macroeconomic and financial policies. The WWG on FFD will continue to seek synergies between the two arenas so that political gains are reinforced, not undermined.

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UNCTAD Public Symposium:

"The global economic crisis and development – the way forward"

The United Nations Conference on Trade and Development (UNCTAD) held its first public symposium on 18-19 May 2009 in Geneva, at a critical juncture in the build-up to the High-Level UN Conference on the World Financial and Economic Crisis and Its Impact on Development, held on 24-26 June 2009 in New York. Organized in cooperation with NGLS and other partner organizations, the symposium brought together from different parts of the world more than 360 representatives of civil society, the private sector, labour organizations, academia, parliamentarians, international organizations and UNCTAD Member States.

Introduction

The meeting was structured around the following key topics:

- The global economic crisis – its causes and its multiple impacts, especially on developing countries
- Assessing existing responses to the crisis at international, regional and national levels – limitations and best practices
- Proposals for the way forward – obstacles and opportunities

UNCTAD Secretary-General Supachai Panitchpakdi said this forum was intended to "give voice to the voiceless – the innocent bystanders." He emphasized that an exit strategy for the crisis was needed for all countries. Real reforms were necessary to avoid going back to the same old cycle of boom and bust.

The President of UNCTAD's Trade and Development Board later forwarded the main conclusions of the Symposium to the President of the General Assembly as an input to the preparations of the UN Conference. Many of the key recommendations related to the more difficult negotiation items on the Conference agenda, notably on reform of the global economic governance system – including the establishment of a Global Economic (Coordination) Council within the purview of the United Nations – and shifting towards a more stable and pro-development international financial architecture, including a new global reserve system (see Box 2 below).

Causes of the crisis

Participants generally concurred on the multiple long-term causes of the crisis, which included a failure to meet agreed commitments; lack of oversight; structural imbalances in the world's largest economies; macroeconomic imbalances; and other systemic and/or institutional factors. The crisis was not simply the result of developments or "misbehaviour" in the corporate and financial sectors but had been in the making for a good 30 years or more. It was rooted in contradictions of the current global development trajectory and development paradigm – such as income inequality, in which the richest 1% of the world population received as much as the entire bottom 57%. This was a major cause of economic instability and crisis, as it led to a deficit of global aggregate demand.

Many participants attributed parts of the causes to "crisis before the crisis" namely the global jobs crisis. Even before the financial and economic crisis hit in 2008 and despite the previous period of relatively high global growth, the global economy had not been capable of generating enough productive employment for the steady rise of entrants into the global labour market. Combined with rising inequalities resulting from stagnant (or declining) real wages in many parts of the world, the global economy depended on the US to act as a "consumer of last resort." However, since wages were also stagnant if not declining in real terms for the average US worker, this had to be accompanied by an unsustainable consumer credit bubble which burst on the housing market and precipitated the current crisis.

Box 3: Extract of the section on the "way forward" transmitted by the President of the UNCTAD Board to the President of the General Assembly as inputs to the preparations of the UN Conference

- Financial/monetary issues

– Explore a new exchange rate system that would ensure stable real exchange rates that reflect fundamentals;

– Review the Reserve Currency system and explore the possibility of a system based on Special Drawing Rights (SDR) to replace the US dollar as the major reserve medium;

– Develop regional financial/monetary instruments, institutions and coordination mechanisms, drawing on new schemes, such as the Bank of the South in Latin America and the Chiang Mai initiative, which offer a "bottom-up" approach and could be the building blocks of a new system;

– Ensure continued credit flows to cover revenue shortfalls, including new IMF loans that do not impose "old" procyclical conditions;

– Allow countries the necessary policy space to impose capital controls and other measures to deflect speculation and ensure stability;

– Strengthen financial regulation to discourage "carry trade" and ban "short-selling;"

– Revisit the WTO financial services negotiations and free trade/investment agreements, to review the impact of commitments on effective crisis response.

- Debt

– Offer a debt moratorium to vulnerable nations affected by crisis-induced exchange rate movements and losses of revenues. Explore the creation of a sovereign debt restructuring mechanism.

- Role of the UN

– Development by the United Nations of a strategy to enhance its role and visibility in dealing with the economic crisis. This could build on the United Nations' convening power and its ability to think outside the box, in order to find inclusive multi-dimensional solutions to the complex economic problems facing the world;

– Member States to strive to make the Conference at the Highest level on the World Financial and Economic Crisis and Its Impact on Development a landmark event – decision-oriented and actionable – producing a technically robust programme of action and incorporating a follow-up mechanism (e.g. perhaps setting up a working group to report on progress to the General Assembly);

– Member States to explore further the idea of a United Nations global economic coordination council to monitor the economic and financial situation and to provide effective responses.

Global imbalances (between deficit and surplus countries), which were described as part of the underlying causes of the crisis, were said to impose asymmetric adjustments on developing countries (including the build-up of excess reserves) which in turn contributed to insufficiency of global aggregate demand. It was noted that since the breakdown of the Bretton Woods system in the 1970s, the current system of flexible exchange rates and reliance on the US dollar as the de facto global reserve currency had proven not only highly unstable and inequitable: its inherent deflationary bias was incompatible with global full employment.

It was noted that in the United States and other developed countries, the financial system contributed about 10% of gross domestic product (GDP) but 40 - 50% of total profits. Financial capital and financial interests — which had become detached from the interests of the real economy — predominated, and the real economy was increasingly subject to financialization, which prevented long-term investments capable of generating decent and sustainable jobs.

Inequality reflected increasing global interdependence, but without effective global institutions to cope. The crisis also called into question the wisdom of economic integration and relentless liberalization, given that the countries most affected were the ones most open and most dependent on external trade. A new economic paradigm and a rethink of globalization were required.

Multiple Impacts

Participants elaborated on the numerous and tremendous impacts of the crisis on developing countries. The problem for developing countries was not just how far their per capita income would fall, but how long the recession would last; there were fears of another "lost decade for development." How much would conditions get worse before they got better? In addition, the crisis might well trigger other sorts of crises, including a worsening of the current food crisis and the eruption of a new debt crisis. An exit strategy was needed that would cover all countries, and especially the weakest and most vulnerable, since everyone would be scrambling to get out and the weakest might get trampled on or not even survive, participants warned.

Inflows of foreign direct investment (FDI) were down worldwide, with developing countries affected the most severely. International trade from developing countries in 2009 would be down by an estimated 7 - 9 %. That decline in trade was more than just declining revenue: it also meant declining output, jobs, productivity, incomes, and increasing poverty.

Credit, official development assistance (ODA) and other forms of financing had also been cut, especially to developing countries, which were projected to have net capital outflows of US$700 billion this year. Debt sustainability was again a major concern, as developing countries were earning less but paying more. Their foreign reserves were generally depleted; exchange rates were increasingly volatile; and their fiscal pressure on the rise.

The crisis was reinforcing existing inequalities within and between countries and between the sexes. Women workers in developing countries were particularly vulnerable in such sectors as apparel, agriculture and tourism, where they predominated. By contrast, stimulus packages and incentives had generally been directed to sectors traditionally dominated by male employees, including the car industry and finance.

Assessing Existing Responses

At the national level:

It was noted that the ability of developing countries to mitigate the adverse effects of the crisis was contingent on their level of dependence on external demand (exports), external financing (FDI, remittances, ODA), and also on their space for fiscal expansion/discretionary demand management and the ability of the authorities to use it flexibly. The need for developing countries to engage in counter-cyclical policies was emphasized. However, all sources of financing for developing countries were affected by the crisis, making it hard for fiscal stimulus in those countries to compensate for lost sources of growth. Developing countries simply did not have the capacity to pursue large stimulus packages. It was pointed out that the question of how to finance that drop in fiscal earnings remains unanswered, and could not be tackled in the traditional IMF balance-of-payments framework.

Some concern was raised in the discussion concerning the implications of the enormous stimulus packages of the developed countries — particularly in light of the "buy American" clause. It was also mentioned that the effect of stimulus packages by more advanced developing countries (such as China and India) might have quite distortionary impacts on the competitiveness of the least developed countries (LDCs) which are not able to afford similar stimulus measures. It was stated that the best designed fiscal stimulus packages are those that focus on targeted job generation and social protection at the core, but that, unfortunately, direct spending on employment had made up only a minimal share of fiscal stimulus packages.

It was also noted that restoring health to the financial sector has taken longer than expected. The financial sector remained in a critical state in many countries. The limited bank lending taking place was often at high interest rates. It was also emphasized that the recent signs of recovery on the stock markets should not be interpreted as signals of a turn-around. Banks were still facing huge credit gaps that could not be filled by interventions by central banks and multilateral institutions.

At the global level (G-20 Outcome):

Concerns were expressed as to whether the outcome of the April 2009 G-20 meeting was sufficient to deal with the current crisis in developing countries. Implementation challenges of the G-20 outcome identified include: i) the amounts quoted are aspirations and the money is not yet committed by the major players; ii) despite official pronouncements to the contrary, the continued procyclical conditionalities of the IMF in a number of countries continues to "add fuel to the fire;" iii) the IMF is still surrounded by political and economic stigma that makes many countries reluctant to approach it until they are in serious trouble. In addition doubt was expressed as to whether diverting 0.7% of the stimulus packages to a vulnerability fund would materialize in light of the failure to deliver previous donor commitments.

It was stated that the UN system as a whole was invisible and did not get assigned an important role in the G-20 communiqué. The importance of the role of the UN and the need for inclusive international governance was underlined. Participants added that the role of the IMF in the G-20 proposal poses a dilemma, as the institution lacks credibility.

Moreover, it remains to be seen how strong the G-20's commitment is to put employment, social protection and labour market issues at the centre of policy responses. It was emphasized that it is important to not only promote recovery but to lay the foundations for a more inclusive and sustainable pattern of growth and globalization in the future.

The Way Forward

In looking ahead to the future, it was asserted that it is clear from the current crisis that the financial system is unable to regulate itself. It was pointed out that the present crisis is an opportunity to promote innovative patterns of growth and to re-think and re-balance development agendas, not just to return to policies of the past. In particular, many emphasized the need to find a better balance between domestic demand-led and export-led growth, which implied much more effort at boosting domestic productive capacities for local and regional markets and generating a steady rise in wages and incomes through productive employment generation. There was general agreement on the need for fundamentally new approaches to governing the international financial system.

Role of the UN and other actors

It was highlighted that the current crisis requires a joint global effort. The importance of fostering international governance was underlined, notably with respect to the participation of African countries.

If the process is to be inclusive, counter cyclical, equitable, and environmentally-sustainable, there is a need for a more decentralized approach with a stronger coordinating role for the UN and a subordinate role for the IMF and other specialized bodies in dealing with tax, finance and the economy. One participant questioned the capacity of the UN to deal with financial sector reform, but other discussants noted that UNCTAD and the UN system have an important role to play — not so much in "micro-managing reforms" but in "thinking out of the box," identifying new problems and alternative policy approaches and bringing legitimacy to global economic institutions.

It was suggested that the proposals of the Stiglitz Commission should be taken as the basis of future UN reform. In particular, many participants supported the proposal to establish a Global Economic Coordination Council under the umbrella of the United Nations, as a way to develop a democratic and legitimate alternative to the G-20.

Many speakers stressed the challenges, not only of designing the reforms ahead but also of securing collective action from disparate Nation States. They highlighted the positive role that civil society could play in this regard, including:

- Collective civil society pressure can promote multidimensional action;
- Civil society can add a dose of grassroots reality to the so-far largely rhetorical debate.

Parliamentarians also had a critical role to play. It was noted that many parliaments were now in the process of significantly strengthening their oversight capacity on global economic matters.

Decentralized Approaches

There was a clear focus on the need to plug the "holes in the buckets" and monitor actions carefully to make crisis fire fighting more effective. Many speakers noted that there was no "one size fits all" solution; rather, multilateral action had to be "localized" and tailored to meet the particular needs of each country and region. This could be achieved in part through stronger regional approaches. For example, regional institutions could develop and fund special recovery programmes and plans (e.g., infrastructure and other "back to basics" projects).

Policy Space in International Agreements

Related to this were calls to ensure that countries were accorded sufficient policy space to take necessary stimulus measures, manage currencies and avoid debt traps. Many speakers highlighted the need in international agreements and crisis packages to allow national policy space to fight crises and carry out domestic reforms. This would include unilateral action on Financial Transaction Taxes and capital controls to counter "carry trade" and short-term speculative "attacks." At the same time, it was seen as equally important to ensure that trade and investment agreements did not impede developing country governments' ability to take countercyclical measures to respond to economic difficulties. Several speakers suggested reviewing the WTO financial services negotiations and commitments and a number of bilateral treaties (existing or still under negotiation, such as Economic Partnership Agreements) to ensure they enable effective crisis response and appropriate regulatory measures.

Global Financial Architecture Reform

Many speakers called for reform of the global financial architecture, including the need to reform the exchange rate system in order to underpin macroeconomic stability and avoid debt traps and speculation. This would involve going "back to the basics" – to the rules invented at the 1944 Bretton Woods Conference – in particular, fixed but adjustable exchange rates reflecting fundamentals such as inflation rates. Speakers added that keeping real exchange rates stable would prevent major distortions in international trade and currencies.

In addition, there was now momentum for creating a new global reserve system to help deal with increasingly unsustainable global imbalances. A new international reserve currency – which could evolve through a greatly expanded and more equitable form of Special Drawing Rights allocation – could play a substantial and frequent role in countercyclical policies and help in financial stabilization. (A new global reserve system is a key recommendation of the Stiglitz Commission.)

It was noted that while a growing number of countries support exploring the transition to a new global reserve system, there is still strong resistance by some of the more powerful actors in the global economy, including financial markets. An "evolutionary approach" that would build on and eventually transform the existing SDR system was thus seen as the most politically realistic way forward. A bottom-up approach through regional reserve systems such as the SUCRE (Sistema Unificado de Compensación Regional, see p. XX) recently adopted by a number of Latin American countries could serve as building blocks towards the new system. It was also important to find ways to build broad popular support, which was a major challenge given the complexity of the problem. It was suggested that the new global reserve system could be explained as a sort of "tax" to bring greater equity between surplus and deficit economies (instead of the current system that – with the exception of the United States – places all the adjustment pressure on deficit countries and forces developing countries to build up excess reserves which are diverted from real economy investments).

A Global Jobs Pact

It was noted that the crisis was causing not only alarming rates of unemployment and new working poor: there were already signs of wage deflation, which was described as even more dangerous than beggar-thy-neighbour devaluations and protectionism. There were possible parallels with widespread wage deflation which contributed to and prolonged the Great Depression in the 1930s. It was also stressed that in today's crisis, workers around the world were often faced with the dilemma of losing their jobs or accepting a wage cut. This seemed rational behaviour at the enterprise level. However, if this pattern became generalized, it would become a self-defeating exercise as more jobs would be lost as a result of further contraction of global aggregate demand.

It was thus urgent to take measures to reverse this trend. The ILO, in cooperation with other international organizations, was in the process of developing a Global Jobs Pact (see !!Go Between 119!!) that would likely include the following strategies: better coordinated collective bargaining and other policy support measures (such as minimum wage policy) to enable average wages in all countries to rise in line with productivity growth; much more employment intensive stimulus packages that should also contain the strengthening or introduction of social protection measures; better coordination between national efforts in this regard; respect for workers' fundamental rights at work; and special credit and productive capacity support for SMEs.

It was noted that the role of the State as a "lender of last resort" had dramatically returned to the mainstream policy agenda because of the systemic risks posed by a collapse of the banking system. It was urgent to recognize an at least equal role of the State to introduce automatic stabilizers (social protection) and/or act as an "employer of last resort" in the face of the systemic risks posed by a collapse of global aggregate demand.

Other proposals for the way forward discussed at the symposium are summarized in Box 1. Full details and background papers on the Symposium can be found online: (www.unctad.org/publicsymposium).

For further information on UN Conference and the activities and events surrounding it, visit the NGLS webpage on the economic and financial crisis: (www.un-ngls.org/spip.php?page=infocus&id_mot=8).

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