



The Norwegian Forum for Environment and Development — Statement on the UN Conference on the World Financial and Economic Crisis and its Impact on Development

May 26, 2009

The current economic crisis we are facing is of systemic nature, originating in and largely caused by rich countries' irresponsible economic behavior and unsustainable consumption and production patterns. The crisis affects billions of people all over the world, pushing many millions of them into unemployment and poverty, and violating their economic, social and cultural rights.

A global crisis needs a global response involving all societies that are affected. The response of the G20 cannot be deemed sufficient to address the causes and solutions needed for global remedy of the crisis. We therefore believe that the United Nations should be the legitimate global forum where the crisis can be analyzed and remedied, and where reforms for a new and fairer global financial architecture must be devised.

The Norwegian Forum expects that the UN Conference on the World Financial and Economic Crisis and its Impact on Development addresses concerns and suggests measures in three main areas: 1) Improved surveillance, regulation and reform of international financial architecture; 2) The need for resources to combat the negative effects of the crisis in developing countries; and 3) Devising a greener and more sustainable economic model for the future.

Among the decisions that are of high priority and should be taken at the UN Conference without any further delay are the following:

1) Improve surveillance, regulation and reform of the current international financial institutions

- Establish a global panel on systemic risks in the world economy, following the model of the Intergovernmental Panel on Climate Change, bringing together academics, civil society and policy makers.
- Establish a global economic coordination Council within the UN system, at a level equivalent with the General Assembly and the Security Council. Such a global council should meet annually at the Heads-of-Government level to promote development, secure consistency and coherence in the policy goals of the major international organizations and support consensus-building among Governments on efficient and effective solutions for issues of global economic governance.
- Establish a task force to follow up the agreement from the World Summit on Sustainable Development in 2002 with the aim of developing a framework of internationally binding standards and principles for corporate social responsibility and accountability in the areas of human rights, labour and the environment.
- For such initiatives for corporate responsibility and accountability to be effective and credible, they must include: Mandatory social and environmental reporting (along the lines of e.g. the Global Reporting Initiative), mechanisms for independent monitoring

and verification of companies' claims, the establishment of a body where companies and their directors will be held to account for their negative impacts on people and the environment, and finally; mechanisms of redress for those negatively affected by corporate activities.

- Upgrade the Committee of Experts on International Cooperation on Tax Matters to an intergovernmental body to address tax competition and tax evasion and avoidance.
- Demand full openness and transparency from all governments, institutions and companies including hedge funds, private equity and sovereign wealth funds.
- Create a mechanism for automatic exchange of tax information between governments in order to combat capital flight and other illicit transfers of funds. Sanctions should be implemented for non cooperative governments, institutions and companies.
- Demand that all cross-border financial transactions, especially within multinational corporations, must be individually identified, coded, and traceable on a country by country basis.

Reforming the international financial institutions (IFIs)

The crisis has further emphasized the need for democratic reforms of monetary, financial and trade institutions, including in the institutions' decision making *structures* as well as transparency in *decision making processes* (including informal processes) and the *content* of different mechanisms and agreements.

- Ensure a review of the quota formula that removes elements that systematically underestimate the size of developing country economies (e.g. the measurement of GDP should be done in Power Purchasing Parity terms).
- Increase basic votes to ensure the ratio of basic votes to total votes is, at least, equal to that at the time of the founding of the institutions (approximately 12%). A clause should ensure periodic indexation of basic votes to total votes, to ensure capital increases do not erode this proportion.
- Prescribe a restructuring of the Board to increase the number of developing country Board seats.
- Seriously consider the use of double-majority voting modalities as a tool to increase the weight of borrowing countries in decision-making within the IFIs.
- Demand that the IFIs become more transparent, by for example adhering to the nine principles of the GTI Transparency Charter for IFIs.

2) Mobilize resources for combating the negative effects of the financial crisis.

Developing countries are not responsible for causing the current crisis, and the negative impacts suffered by them must be compensated for by making concessional and grant finance available.

- Renew and make time-bound commitments to increase aid budgets and raise ODA towards the target of 0.7 % of GNI.

- Introduce an internationally coordinated *Financial Transaction Levy* in order to mobilize additional resources for a short-term Global Stimulus Fund and the longer-term implementation of the internationally agreed development goals, including the MDGs.
- Agree on a debt moratorium for highly indebted developing countries. Debt relief is critical to enhance government's fiscal space to boost the real economy and maintain social spending. Therefore, countries in immediate need of funds to mitigate negative effects of the crisis on their population should be allowed to stop servicing their debts.
- Institute a fair and transparent debt workout mechanism to decide on and deliver cancellation of unsustainable and illegitimate debts. Such a mechanism should perform an independent and impartial debt sustainability assessment, including on illegitimacy concerns, and decide on the amount of outstanding debt that has to be cancelled, taking into account the domestic resources needed to fight poverty. This assessment should be transparent and locally owned, involve all creditors in a single "insolvency" process and automatically institute a hold on loan enforcement.
- Introduce responsible finance principles to prevent unsustainable and illegitimate debt: New emergency funding being released might cause future unsustainable and illegitimate debts. Eurodad's Charter on Responsible Financing outlines the essential criteria of a responsible loan and must be taken into account in any new financing package. These criteria aim to ensure that terms and conditions are fair, that the loan contraction process is transparent, that human rights in recipient countries are respected, that the environment is protected, and that repayment difficulties or disputes are resolved fairly and efficiently. This includes the economic stimulus packages that some western countries are currently adopting which contain among others export credits and tied aid to promote their export industries.

3) The climate and finance crises - Devising a greener and more sustainable economic model for the future

The financial crisis must not be used as an excuse by developed countries to not commit to sufficient, substantial, verifiable new resource transfer, additional to existing ODA, to support adaptation in the most vulnerable developing countries. These commitments should be made under the UNFCCC negotiations by the end of this year.

- Countries' action packages to address the financial and economic crisis must be devised so that no actions taken or projects supported lead to an increase of green house gas emissions or reduce the effect of actions taken to limit the emission of such gases.
- Agree to end the subsidy of energy production based on fossil fuels which does not involve carbon catch and storage.
- Call on countries to create a stable framework for renewable energy to ensure long term investments in the development of renewable energy.