

NGO Committee on Financing for Development

How to reduce the global financial and economic uncertainties?

Most formulation and implementation of global economic policies take place in autonomous groups and agencies, particularly the BWIs, independently of the UN. This is not how the global system was visualized more than half a century ago. And yet, the practice has increasingly marginalized the UN. As decisions are made elsewhere, ECOSOC deliberations and UN stocktaking meetings rarely attract the same degree of participation by senior officials from finance, trade and economic ministries as corresponding deliberations by the BWIs and WTO. Despite commitments repeatedly reiterated by the international community to enhance the UN's coordination role in global economic governance, many influential Member States demonstrate greater confidence in coordination through other institutions and groupings, such as the Group of 20, where they may have greater influence.

However, public confidence in the effectiveness of the Group of 20 is much reduced at a time of renewed global financial and economic uncertainties. Expectations of strong financial regulatory reforms raised in the Group of 20 have been watered down by a financial industry protecting its narrow interests even though greater global financial stability is in its own long-run interest. The unseemly income and wealth disparities between the rich and poor of the world, coupled with very weak prospects for employment in many countries around the world has spawned "Occupy Wall Street" in New York and around the United States as well as in Europe. The average man or woman in the street has lost faith in the ruling political institutions, especially at international level. This is not sustainable. Restoring that faith requires making true multilateralism work again.

Meanwhile, commitments made at UN conferences and summits have no effective accountability mechanisms. Also the decisions of ECOSOC and its functional commissions have no binding power. The 2008 Doha Declaration on Financing for Development, however, had underscored the need for UN involvement to improve the functioning of the international economic and financial system. The United Nations can be reformed so that it serves as a primary forum to forge coherence at the political level in international economic, financial, trade and development policy. At times, the UN has brought together senior representatives from key financial, trade and development institutions and forums, as well as business and civil society communities. This spirit of effective cooperation can and should be recreated to build a more effective multilateralism. There is an urgent need to strengthen the role and effectiveness of the UN system in economic governance and to define what the relationship should be between the UN and the G20.

We therefore recommend that the UN General Assembly:

- start an open, inclusive and transparent dialogue on a strengthened international economic and financial system and architecture;
- agree, to this end, to hold a review conference on financing for development in 2013 that includes consideration of current global economic and financial challenges as well as the impact of the world financial crises on the financing of development;
- strengthen engagement of the UN with civil society and other non-state actors through resumption of multistakeholder forums and other informal FfD initiatives.

- strengthen the Economic and Social Council, especially the annual special high-level ECOSOC meeting with the BWIs, WTO and UNCTAD to foster more focused dialogue, outcome oriented discussion and decision making;
- establish an ad hoc panel of experts on the world economic and financial crisis and its impact on Development (see attached resolution adopted at ECOSOC in 2011);
- strengthen capacity for greater cooperation and sharing of information between all countries to prevent and overcome tax avoidance and tax evasion, including by replacing the International Committee of Tax Experts with a UN intergovernmental body;
- encourage the regional economic commissions to continue producing technical advice and analysis, including recommendations on global financial, economic and systemic issues;
- ensure that the international financial institutions have a clear development orientation;
- establish a representative, multi-stakeholder “Financing for Development Committee” to effectively monitor the implementation of the commitments made in the Monterrey Consensus and the Doha Declaration and link it to the broader global economic governance mechanism;
- in time, create a small “Global Economic Council” within the UN to support consensus-building among governments to enhance global economic governance. Representation should be based on a constituency system and designed to ensure that all regions and major economies are represented, with relevant global institutions participating in its work. The five UN Regional Commissions should become important intergovernmental forums for policy dialogue and cooperation;
- create a comprehensive framework for sovereign debt restructuring. This need has become more acute with the sovereign debt crises in European countries. Also the growing importance of private and official non-Paris Club creditors requires new debt restructuring mechanisms to ensure adequate overall relief and comparable treatment of all creditors;
- introduce innovative sources of financing, including a financial transactions tax, carbon tax and other progressive taxation. This revenue must be used for development, the promotion of global public goods, poverty eradication and achieving the internationally agreed development goals, including the Millennium Development Goals. These are additional to committed levels of ODA.

Decisions made on the basis of such mechanisms will have greater legitimacy, credibility and authority and would enhance coordination, cooperation and more effective policy-making at the global level.

The global economic and financial situation is highly uncertain and dangerous. Therefore, it is no longer sufficient to complain about the lack of “political will” to act multilaterally. It is time to start again to build that will.

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