

06-05-2009

## **Outcome of United Nations Conference on the World Financial and Economic Crisis and its Impact on Development**

We, the Heads of State and Government and High Representatives of Member States, met in New York from 1-3 June 2009 for the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development.

1. The governments and peoples of the 192 Member States of the United Nations are collectively in the midst of the most severe financial and economic crisis since the establishment of the modern international financial architecture. The evolving and deepening crisis, which began within the world's major financial centres, has spread throughout the global economy. This financial contagion has caused severe global impacts at the social, political and economic levels. The developing countries, which are least responsible for the financial and economic crisis, are among those most gravely affected. In consequence, the financial and economic crisis, we all concur, is now a gathering threat to development everywhere.
2. The human costs of the crisis are our greatest concern: the increase in the already unacceptable number of children, women and men who die of hunger and preventable or curable disease, the reduction in access to education, and the inevitable rise in social conflict, dislocation and distress.
3. Peace, stability and prosperity are indivisible. Today, all nations are far more closely tied together than ever before as active participants in the modern globalised financial and economic system. We believe that this critical moment calls for prompt, decisive and coordinated action to address the causes of the crisis; mitigate its global impact; and establish mechanisms to prevent similar crises in the future. Today, we have set forth our global consensus on the responses to this crisis; prioritized the required actions; and defined a clear role for the United Nations in the implementation of our coordinated approach.

### **Present State of World Economy**

4. This crisis follows in the footsteps of the food and energy crises and of the challenges posed by the impact of climate change. The global economic downturn is much deeper than expected, and the recovery will be gradual and uncertain. World GDP will fall in 2009 for the first time since the Second World War. It is rapidly turning into a human and development calamity. Hundreds of millions of people all over the world are losing their jobs, their income their savings, their homes, and their ability to survive. More than 50 million people have already been driven into extreme poverty, particularly women and children.

### **Impacts of the Crisis**

5. The effects of the crisis are extremely disturbing and are likely to worsen. The crisis has

produced or exacerbated severe, wide ranging and disparate impacts across the globe. The negative impacts, which vary by region and level of development, include the following:

- Rapid increases in unemployment, poverty and hunger
  - Deceleration of growth, or severe economic contraction
  - Negative effects on trade balances, balance of payments and foreign reserves
  - Dwindling levels of Foreign Direct Investment
  - Large and volatile movements in exchange rates
  - Growing budget deficits and falling tax revenues
  - Drastic reduction of world trade
  - Sharp contraction in exports
  - Falling prices for primary commodities
  - Declining remittances to developing countries
  - Sharply reduced revenues from tourism
  - Massive withdrawal of private capital flows, also increasing the funding problem of the private sector in emerging and developing countries
  - Drastically reduced access to credit, and trade financing
  - Reduced public confidence in financial institutions
6. However, the greatest impacts may be difficult to quantify. At its heart the present crisis is a crisis of human security. The impacts of the crisis include the loss of self-esteem and self-worth, the evaporation of hope in a better future, despair, and fear for what the day of tomorrow may bring. We are deeply concerned with its severe adverse impact on development. This crisis put a disproportionate burden on women. Women also face greater income insecurity and increased burdens of family care. The crisis has exacerbated the challenges and impediments to the attainment of our internationally agreed development goals, including the Millennium Development Goals. It risks becoming a social and human crisis – with implications for political stability and peace.

### **Causes of the Crisis**

7. The drivers of the crisis are complex. This crisis arose because of major failures in financial regulation, supervision and monitoring of the financial sector, and inconsistent levels of cooperation between countries participating in the global economy resulting in

global imbalances. These regulatory failures, compounded by an overall lack of transparency and financial integrity, have led to excessive risk-taking, unsustainably high asset prices, irresponsible leveraging, and high levels of consumption fuelled by easy credit and inflated asset prices. Financial regulators, policymakers and institutions, which were preoccupied with the formal banking sector, failed to appreciate the risks in the shadow financial system or address the extent of the growing economic vulnerabilities and their cross-border linkages. Other weaknesses of a systemic nature also contribute to the crisis. The overreliance on market self-regulation, the pursuit of unsustainable profit, and insufficient emphasis on ethical and equitable human development have resulted in severe deficiencies in our global financial and economic architecture, and significant inequalities among countries and peoples.

### **Response to the Crisis**

8. We are all in this crisis together. We will therefore work in solidarity on a vigorous, coordinated and comprehensive global response to the crisis in accordance with our abilities. Much of the responsibility for restoring global growth lies with the developed countries. An immediate priority is to stabilize the financial markets and restore confidence in them and counter falling demand and the recession. Major actions have already been taken in this context by developed countries. However, emerging and developing countries have a key role to play as well in improving the growth outlook, maintaining macro-economic stability, and strengthening the international financial system. At the same time, strong and urgent actions are needed to counter the impact of the crisis on poor countries and help them restore strong growth and recover lost ground in their progress towards our internationally agreed development goals, including the Millennium Development Goals. Although this crisis continues to have a devastating impact on the peoples of the world, we believe that it represents a rare opportunity for meaningful change. Going forward, our response must focus on creating jobs, increasing prosperity, equalizing imbalances, developing sustainably, and having a strong gender perspective. It must also lay the foundation for a fair, inclusive and sustainable globalization supported by renewed multilateralism. We are confident that we will emerge from this crisis stronger and more vigorous and more united.
9. We reaffirm the purposes of the United Nations, as set forth in its Charter “to achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character,” and “to be a centre for harmonizing the actions of nations in the attainment of these common ends.” We seek to strengthen this Charter imperative in the light of the current crisis. This United Nations Conference is part of our collective effort towards recovery. It builds on and contributes to what already is being undertaken by other actors and in other fora and is intended to give political guidance and direction to future meetings, action and measures undertaken by the world community.

### **The Need for Prompt and Decisive Action**

10. We recognize that our collective response to this crisis represents a transformative moment in international cooperation.
11. We undertake to do all that is necessary to:

- restore confidence, growth, and jobs;
- protect the poor and vulnerable;
- provide additional support to safeguard hard-won economic and development gains;
- rebuild trust in the financial sector and restore lending;
- fund and reform the international financial institutions;
- promote global trade and investment and reject protectionism, and
- foster an inclusive, green, and sustainable recovery

*Make the stimulus work for all.*

12. In attempting to combat the immediate impacts of the crisis many States, groups and institutions have already initiated a number of coordinated and effective responses. We welcome those efforts, and seek to encourage greater cooperation and coordination among countries' fiscal and economic actions.
13. Developing countries in a position to do so should utilize the room for fiscal stimulus that they possess. The response of individual countries should be tailored to their specific circumstances. Countries should also use available scope for domestic resource mobilization.
14. Support for development is an essential and integral part of the solution to the global crisis, inter alia through actions aimed at supporting sustained economic growth, poverty eradication and sustainable development. National stimulus packages should have a strong international dimension and take into account the impacts on third countries, particularly on developing countries.
15. We welcome the commitments made at the G20 London Summit to make available an additional \$1.1 trillion program (\$850 billion through the International Financial Institutions, and \$250 billion for trade finance) of support to help the world economy through the crisis and to restore credit, growth and jobs. The fulfillment of these commitments should be properly monitored. We call upon the G20 countries to follow through on these commitments. However, only a limited amount was targeted to the poorest countries. We therefore stress the importance that the financing needs of the poorest countries are adequately dealt with.
16. Developing countries need access to new funding, including credit and liquidity facilities, infrastructure investment, and support for domestic financial systems, for social response and for corporate borrowing. We support the urgent establishment of new credit facilities within existing financial institutions for the disbursement of the additional funding required to address the impact of the current crisis and to allow for appropriate countercyclical policy measures. More inclusive governance structures for these facilities should be considered.
17. Countries must be afforded the necessary policy space to enact the types of tailored and targeted responses to the crisis that have been established in developed States. We call for a reformed lending paradigm and the prompt end to unwarranted conditionalities, which

curtail the individualized options available to developing countries and needlessly exacerbate the financial, economic and developmental challenges faced by these countries. In this context we note the recent improvement of the IMF's lending framework, through modernizing conditionality, as a welcome step. The MDBs, in close coordination with the IMF, must move forward on flexible, fast disbursing, and front-loaded instruments designed to substantially and quickly assist developing countries facing financing gaps in the context of the current crisis

18. Within the context of national responses to the crisis we recognize the continued importance for good governance along with national ownership of development strategies. We call on all Member States to accelerate our collective recovery from the crisis through improved transparency, reduced corruption and a recommitment to good governance.
19. The crisis has resulted in disparate impacts across regions and sub-regions. Given the sensitivity of regional and sub-regional institutions to the specific needs of their constituencies, the need of stable sources of funding, and the greater equitable representation of developing countries within these bodies, we encourage for enhanced regional and sub-regional efforts including through regional development banks, and regional integration initiatives, as part of a global coordinated efficient response to deal with the current crisis.

*Contain the effects of the crisis and improve future global resilience.*

20. This crisis does not occur solely at the level of the financial sectors or structural imbalances. We recognize the various human and social dimensions to the crisis, and our responsibility to address the human security challenges that it has created and exacerbated. We commit to the strengthening of existing social safety nets, protection of social expenditures, and advancement of people-centred development. We reaffirm our commitment to timely achievement of our internationally agreed development goals, in particular the Millennium Development Goals.
21. We call for additional resources for social protection, food security and human development to be made available through voluntary bilateral contributions to the World Bank's Vulnerability Financing Framework and similar initiatives. We support the development of a joint UN system-World Bank mechanism for a common articulation and implementation of the Vulnerability Financing Framework.
22. Much of the modern rise in prosperity and worldwide growth is attributable to the successes of globalization and free trade. The global recovery from this financial and economic crisis, and our future global resilience, require a speedy conclusion of the WTO Doha Round and provision of much needed trade finance. We reiterate our commitment to an early conclusion to the Doha Round that places the needs of the developing countries at the centre, to implement duty-free and quota free-access to least developed countries, to the principle of special and differential treatment for developing countries, and to meeting our existing aid for trade pledges. We undertake to resist protectionist tendencies and rectify any protectionist measures already taken. In this context, we reiterate the importance of monitoring and reporting on new barriers to trade and

investments. We should also resist unfair treatment of migrant labourers and the imposition of undue restrictions on labour migration.

23. The global crisis cannot be an excuse to avoid existing aid commitments. There is an urgent and unavoidable need for donors to fulfil their existing bilateral and multilateral ODA commitments. Developed countries must meet the commitments made in the Millennium Declaration, the Monterrey Consensus, the 2005 World Summit, at the G8 summit in Gleneagles, in the Doha Declaration by 2015, and at the G20 London Summit. Aid effectiveness, as well as speed of delivery, flexibility of response and predictability of aid, is also crucial. We encourage the establishment of innovative financing mechanism to provide another stable source of development finance. Also bilateral donors should review, and if appropriate redirect, their development assistance to assist developing countries to mitigate and more effectively respond to the crisis.
24. The deepening crisis threatens to negatively affect the indebtedness of developing States. This growing indebtedness limits the ability of these States to enact the appropriate fiscal measures to mitigate the impact of the crisis or engage in development financing. We affirm that the appropriate measures must be taken to minimize the impact of the crisis on the indebtedness of developing states and to avoid a new debt crisis. In that regard, we support increased flexibility in debt sustainability and eligibility for debt relief; the provision of increased funds for debt rollover; increased concessionality, and call on states to accelerate previous commitments regarding debt relief.
25. The crisis has illustrated the extreme vulnerability of small, indebted, middle-income countries, whose size, fragile economies and open markets have made them highly susceptible to external financial shocks. We therefore call for expansion of concessionary financing to small, indebted, middle-income countries to mitigate the significant sustainable development challenges that have been exacerbated by the ongoing crisis. The access to this financing must be based on factors beyond GDP, which is, by itself, a poor indicator of economic sustainability.
26. The crisis cannot be an excuse to avoid or delay the necessary global response to climate change and environmental degradation. We acknowledge that the response to the crisis presents an opportunity to establish the basis of a new and modern green economy. In this context we support a Global Green New Deal which should ensure that the stimulus is used to initiate investments for sustainable long term growth.

*Improved regulation and monitoring.*

27. The current crisis has revealed numerous deficiencies in the international financial regulatory framework. We accept the critical need for more effective regulation of all economic actors, including financial institutions, credit rating agencies, audit firms, and the principals in the shadow financial system. We reject the imposition of needlessly onerous regulatory requirements, but call for credible and enforceable regulations to ensure the necessary global transparency and oversight at all levels of the financial system.
28. We recognize the important role to be played by increased SDR allocations in increasing

global liquidity, and the potential for expanded SDRs to contribute to global stability, equity and economic strength. We commit to undertake further examination of the role of enhanced SDRs in the expansion of liquidity and stabilization of the reserve system. We strongly support and call for early implementation of a new general SDR allocation of at least \$250 billion. We also call for the urgent ratification of the Fourth Amendment for a one-time SDR allocation.

29. The crisis has illustrated the need to evenly employ effective measures against non-complying tax jurisdictions and financial centres that fail to meet basic standards of transparency and regulation. We recognize the strong need for truly multilateral and inclusive cooperation on international tax matters within the United Nations system. Cooperative frameworks should ensure the involvement of both the major onshore jurisdictions and small offshore jurisdictions, whose economies, development and growth are heavily dependent on financial services. Developing countries should be able to secure the benefits of a new cooperative tax environment. We call for consistent and non-discriminatory application of transparency requirements and international standards for exchange of information.
30. Illicit financial flows out of developing countries are estimated to amount to several times global ODA and have a harmful effect on development. Measures to enhance regulation of and transparency in the financial sector must therefore include steps to curb illicit financial flows.
31. The current crisis has been compounded by an initial failure to appreciate the full scope of the risks involved and their potential to destabilize the international financial architecture and the global economy. We recognize the need for more evenhanded and effective surveillance of systemically important countries, international capital flows, and financial markets.
32. The ongoing crisis has highlighted the extent to which our economies are integrated, the indivisibility of our collective prosperity, and the unsustainability of the narrow focus on profit. We need a new global consensus on the key values and principles that will promote sustainable economic activity. We believe that corporate social responsibility is a critical component of this consensus and of equitable globalization.

*Reform international financial and economic governance.*

33. This crisis has highlighted the urgent need for our International Financial Institutions to be reformed and modernized to better enable them to respond to the current financial and economic emergencies and to the needs of Member States, and to better equip them to strengthen existing monitoring and supervisory roles to prevent the occurrence of similar crises in the future.
34. International Financial Institutions must have a clear development orientation and must be responsive to needs and circumstances of their clients. Accordingly, we call for improved integration of global public goods within the development mandate of the International Financial Institutions such as climate protection and financial stability.

35. We stress the urgent need for ambitious and expeditious reform of the governance structures of Bretton Woods Institutions and make them more representative and legitimate, in order to enhance the perspective, voice and participation of developing countries, and to more properly reflect current realities.
36. We call for a swift completion of the ongoing reform process of the World Bank's governance structure and of an accelerated road map for further voice and representation reforms in its governance, to be completed no later than April 2010, based on an approach that reflects its development mandate and with the involvement of all shareholders in a transparent, consultative and inclusive process.
37. We recognize that it is imperative for the reform of the IMF, in particular, to be prioritized and fast-tracked, given the critical role to be played by the IMF during the crisis and beyond. We endorse the roadmap to implement the package of IMF quota and voice reforms agreed in April 2008 and call for its prompt ratification and strongly support a substantial increase and realignment of quotas in the IMF to be completed no later than January 2011, thus enhancing the legitimacy and effectiveness of the organization.
38. We agree that the heads and senior leadership of the International Financial Institutions must be appointed through open, transparent, and merit-based selection processes, and without regard to nationality.
39. We view the unique perspectives and representativeness of the United Nations as critical to lending legitimacy to the reform and functioning of our International Financial Institutions. Accordingly, we call for mechanisms to ensure increased cooperation and exchanges between the United Nations and International Financial Institutions.

### **The Way Forward**

40. We, the Heads of State and Government and High Representatives of Member States, have decided to provide opportunity for and call on all Member States to contribute in the fashioning of the global response to this crisis, including in the processes of reforming the United Nations and the world economic, financial, and trading system.
41. We recognize that the ongoing work of established forums and mechanisms for resource mobilization, surveillance and regulation, coordination of policy action, and development including rules for international trade must continue to function and be improved upon according to their respective mandates and procedures, and that the process of institutional and systemic reform will be shaped by existing international agreements.
42. To achieve a practical balance between short term needs for effective action, and equally compelling requirements for the review of the framework of our global economic system, we propose the following course of action:
43. We request the Secretary-General of the United Nations to:
  - Develop a proposal to establish a unified and responsive United Nations Vulnerability Monitoring and Response Mechanism, that will draw



information systematically from throughout the UN system, including its relevant funds, programs and agencies, the Regional Commissions, and the specialized agencies, to track the full impact of the crisis and to promote effective, timely coordination of multilateral responses. We request the Secretary-General's to report on the establishment of the mechanism no later than July 1, 2009. We also request the Secretary-General to report quarterly on the findings, actions, and recommendations to the General Assembly and ECOSOC.

- Develop urgently a joint and comprehensive strategy setting out the response of the system in its multiple dimensions, globally, regionally and nationally. We support the recent agreement of the UN System Chief Executives Board for Coordination (CEB) on nine joint initiatives, and call for their swift development and implementation.
  - Monitor, in consultation with relevant stakeholders, and report on compliance with announced international commitments for additional assistance, institutional and policy reform; and to identify possible new barriers to trade and investment as well as key impediments to policy action, and to make recommendations for more timely and effective response.
  - Continue to provide support for the Secretary General's High-Level Task Force on the Global Food Security Crisis, to assess the impact of evolving conditions, and report to the General Assembly as necessary.
  - Prepare, in consultation with relevant stakeholders, a draft Charter for Sustainable Economic Activity no later than 15 April 2010.
44. We request the United Nations Funds and Programs and Specialized Agencies to review, and if appropriate redirect, their assistance to developing countries to mitigate and more effectively respond to the crisis and to report to the July meeting of ECOSOC.
45. The International Labour Organization to elaborate a proposal to create a Global Jobs Pact based on the Decent Work Agenda. This pact would make the global response for recovery job-intensive and shape a pattern for sustainable growth, which would also include ensuring adequate access to credits for small and medium-sized enterprises and for farmers, especially in developing countries.
46. We request the Economic and Social Council to:
- Make recommendations to the General Assembly, in accordance with the Doha Declaration of 2 December 2008, for strengthening of the Financing for Development process, and for consolidating that process with the related initiatives outlined herein, no later than 1 September 2009.
  - Analyze and make recommendations for strengthening the Committee of Experts on International Cooperation on Tax Matters, to better contribute to the functioning of a stable international economy.

47. As a bridge to on-going processes through which Member States may be informed on a timely basis of on-going work and decision-making processes, the following mechanisms or actions might be considered:
- Establish a representative ad hoc Body for coordinating consultation with all relevant stakeholders in each of the main areas of global economic, financial, trade, and regulatory coordination and action, as well as related regional institutions and initiatives.
  - Establish a multi-stakeholder Panel of Experts to offer independent advice to the General Assembly and to the Economic and Social Council on issues that they shall deem relevant to each of the main areas of global economic, financial, trade, and regulatory coordination and action. The Panel shall include well-respected academic experts, as well as representatives of social movements and the private sector.
  - Establish a new Global Economic Council that is part of the United Nations system which provides coordination and oversight of concerted responses in addressing the broader range of global challenges.
  - Review how ECOSOC can more meaningfully implement its mandated role to promote consistency and coherence of and support consensus around policies on global economic issues.
  - Review the agreement between the United Nations and the Bretton Woods institutions in collaboration with these institutions, focusing particular attention on the mechanisms for enhancing coordination and cooperation between the respective institutions, as well as the opportunities for contributing to strengthening the development mandates and effectiveness of both institutions.
48. We hold these extraordinary undertakings to be appropriate and necessary for the times. And we believe that the truest measure of our success shall be told in our ability to work together to build a better world that affords to all members of our global society equal opportunities to live in conditions of far greater economic opportunity, prosperity and security.