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fifty-sixth session**

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## II. President's summary (*continued*)

### Hearing with civil society

1. Participants indicated that the recent financial crisis and the climate change phenomenon underlined global interdependence, whether among governments, societies and peoples. This interdependence had broken down firewalls among countries and among sectors so that, even while root causes could be localized to a specific sector or country, their adverse effects had rippled across countries and their societies. The global crisis called for global action, not just at the policymaking level but from all segments of society. It was therefore important to engage civil society and the private sector, as called for in the Accra Accord and put into action at the Public Symposium held last May. The present hearing represented another instrument through which the views and experiences of civil society and the private sector could contribute to the global debate and to the shaping of the collective response.

2. Thus far, the response to the crisis had not only been generally insufficient, but could in fact exacerbate the polarization of income and power between the developed and developing countries. There was certainly a need for a global response that was fair and equitable to all. Because the present series of crises were brought about by the actions of industrialized countries, it was felt that those countries should take the lead in their resolution. Developing countries for their part were urged to exercise their prerogative for policy space. Notwithstanding their need for financial and technical assistance, policymakers should maintain their focus on national development priorities and safeguard against potentially conflicting agenda that these might bring. They should also proactively adopt measures that would cushion them from international shocks.

3. It was pointed out at the hearing that, while there was a consensus on the origin and causes of the crisis and that solutions were being proposed at different levels, there was still the urgent need for action. The hearing repeatedly stressed the need for a common-but-differentiated, multi-polar post-crisis response that was humane, fair and equitable to all.

#### 1. Follow-up to the UNCTAD Public Symposium and to the United Nations Conference on the World Financial and Economic Crisis

4. There was general concern that current debate and solutions not only reflected the concerns and needs of developing countries, but could actually be detrimental to their efforts to survive the crisis. Examples of those were the proposed allocation of special drawing rights (SDR) at the International Monetary Fund (IMF), the commodity derivatives to developing countries in the proposal on European financial reform, as well as the loss of remittances from overseas workers. On the other hand, there were significant movements towards a more inclusive and holistic approach to the crisis. Participants at the hearing hailed the G-192 Consensus for its inclusiveness and its substance, which went beyond the analysis of the *problematique* into crisis resolution and follow-up. The representatives of civil society reiterated their commitment and intent to engage actively in working with the G-192 Working Group and its panel of experts.

5. The present crisis should be taken as an opportunity to overhaul the international financial system into one that was transparent and ethical. There had already been several initiatives on the international front to attenuate the impact of the crisis on national economies and on societies. Among those were UNCTAD's call for a temporary moratorium on sovereign debt to forestall another debt crisis among developing countries, the IMF decision to reduce interest rates on concessional loans to zero, and the International

Labour Organization's adoption of its Global Jobs Pact, which called for "decent work response to the crisis." Further actions were needed to control exchange rate and monetary instability, penalize financial speculation and foster inclusive and sustainable growth. On the other hand, concerns were expressed over other developments in that area, such as the decision of the G-20 to allocate its entire package (of over \$1 trillion) to the international financial institutions, notably the IMF. This action could be taken as a lack of political will or interest on the part of these leader nations to push for a global development-centred agenda among the international finance institutions. Another G-20 proposal that raised alarm was the allocation of funds on the basis of IMF quota shares rather than need.

6. The human dimension of the crisis was evoked in the context of increasing unemployment and its impact on the informal sector, in which many women in developing countries were engaged for revenue-raising activities. It was pointed out that, since the activities of the informal sector were not quantified, it would most likely be overlooked in the crisis impact assessment. Still, the contribution of this sector could not be undermined, not only to the national economy at large but also to the family unit. The participants urged policymakers in developing countries to include the informal sector in its impact assessment. Developing countries were also urged to review their foreign direct investment policies, especially in the context of banking services, in order to better insulate the domestic financial institutions from external shocks.

7. UNCTAD's work in the areas of diversification of economic and export base, increasing domestic demand and higher value added capacities, among others, were important support for developing countries to get out of the crisis. The complementary mandates of the United Nations and the Bretton Woods institutions were highlighted in the G-192 Consensus as critical to resolving the present crisis and building an international financial system that would be transparent and equitable. Further stressing coherence and coordination, speakers highlighted the need for joint efforts of the international community to share best practices and experiences, and to promote trust and solidarity at all levels. This could be undertaken within the context of UNCTAD work programme, in cooperation with other United Nations agencies, international and regional bodies, and civil society. Another area of cooperation that some participants recommended was between the International Labour Organization and UNCTAD, in the context of the former's Global Jobs Pact and the latter's work on trade and development.

8. The representatives of civil society and the private sector called for the rapid implementation of the G-192 Consensus in a coherent and well-coordinated matter. They also appealed for a review of the international finance institutions' decisions to ensure that those were fair and equitable, recalling an earlier proposal for IMF to allocate SDRs to low-income countries at no cost.

## **2. Immediate challenges related to debt and climate change**

9. It was felt that the current crisis was than likely going to impact the debt of developing countries and particularly least developed countries (LDCs). The loss of export-linked revenue would hamper the budget of those countries and their only solution would be to launch a new cycle of indebtedness. The solution proposed by the international community would not prevent developing countries from enduring negative growth due to the fact that no innovative solutions had been proposed. It was pointed out that one of the solutions would be a moratorium on LDCs' and developing countries' debt, regardless of their achievements. Several participants repeated the call for a debt moratorium for developing countries and expressed support to UNCTAD's proposal to set up a debt moratorium as a basic mechanism for a good sound budgetary policy. Another solution would be that all loans promised in response to the crisis would be transformed into grants. Finally, the \$250 billion SDRs should not be granted based on the quotas but on the real

needs of the countries; furthermore, there should not be any cost related to the use of these SDRs. The need for policy space was also pointed out as a result of all the conditionalities inherent with IMF loans.

10. Like the financial crisis, the origin of climate change had been traced to developed economies. The immediate and most adverse expression of that phenomenon had been in developing countries. It was pointed out that subsistence, family-owned agriculture had been the hardest hit and that it was women who bore the brunt in the face of increasing water scarcity and deteriorating farming conditions. In Africa, for example, many families were faced with loss of remittances from abroad, shrinking revenue from the informal sector, and deteriorating farm conditions. Developed countries needed to take the lead in tackling climate-related challenges because they had the highest level of greenhouse gas emissions and because they had the resources and the technologies to neutralize and even reverse it. Intellectual property rights regimes should be fine-tuned to encourage both research and the use of green technologies, including their transfer and diffusion to developing countries. The payment of the climate debt, in the broader framework of ecological debt, must be in addition to and not in lieu of, existing official development assistance allocation.

11. Developing countries, for their part, should exercise their prerogative for policy space. Developing countries must adapt measures to better use their natural resources and proactively promote green technologies, both by importing from abroad and by domestic research. This had been underlined in the Global Jobs Pact, for example, which pointed to the need to include green jobs and green technologies in the recovery packages and policies. This could mitigate the risk of further deterioration of export revenue arising from importing countries' increasingly restrictive demands for ecologically-neutral production processes. In addition to global action, the hearing appealed for a more rapid transfer of green technologies to developing countries. Participants also urged developing countries to continue their active participation and engagement in the ongoing debate in order to ensure that their concerns are adequately addressed.

12. Since its impact had been multi-dimensional, it called for a holistic response and, as the United Nations Framework Convention on Climate Change (UNFCCC) expresses, there were "common but differentiated responsibilities and respective capabilities". Initiatives taken to combat climate change should be linked to the UNFCCC process in order to ensure coherence and consolidation of gains. A promising agreement – fair and binding – could be had at the UNFCCC Conference of the Parties (COP 15) in December at Copenhagen, wherein industrialized countries would honour the Kyoto Protocol on climate finance, technology transfer and emission reduction targets.

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