



Dialogue on Globalization

FACT SHEET
FES NEW YORK

December 2008

The Response of the United Nations to the Global Financial Crisis

STEPHANIE HELL

Summary

The global financial and economic crisis emerged in the summer of 2008 and soon affected the whole world. With its origin in the United States, the crisis spread to other developed economies before it increasingly hit emerging markets and developing countries. Within a short time, both Secretary-General Ban Ki-moon as well as General Assembly President, Miguel d'Escoto Brockmann have convened a number of meetings and task forces in reaction to the crisis.

Action taken by Secretary-General Ban Ki-moon

On 24 October, Ban Ki-moon convened the semi-annual meeting of the Chief Executive Board for Coordination (CEB)¹, which includes the heads of the UN System organizations as well as officials of the International Monetary Fund (IMF) and World Bank. In addition to the regular session, the CEB had a retreat session on the issues surrounding the financial crisis. The High-level Committee on Programmes of the CEB recognized an increasing demand "for the United Nations system to play a leadership role" which would imply: "maintaining focus on development needs and human security; providing an inclusive forum for discussions; helping countries and people cope; monitoring and assessing the impact of the crisis".

Prior to this, French President Nicolas Sarkozy on behalf of the EU suggested holding a G-20 Leaders Summit on Financial Markets and the World Economy in November 2008. Ban offered to host the summit at the United Nations Secretariat in New York. However, the G-7 finance ministers together with US President George W. Bush decided to meet instead on November 15 in Washington², a meeting to which the UN Secretary-General was invited. It was the first time

all leaders of the G-20 countries had come together³. Until then, the G-20 existed only as a forum for the finance ministers. In the final declaration of the summit, all G-20 countries agreed on the need for new market regulations and for reforming the international financial institutions. The summit concluded with instructions to the finance ministers to take further steps until the next G-20 summit, which is scheduled to be held on 2 April 2009 in London.

Action taken by General Assembly President Miguel d'Escoto Brockmann

On 30 October, General Assembly President, Mr. Miguel d'Escoto Brockmann invited selected international experts and all member states to an Interactive Panel of the United Nations General Assembly on the Global Financial Crisis. The panel covered similar ground as the G-20 meeting, but involved a broader range of countries.

At the panel, the member states emphasized the important role of the UN in the crisis reform process and supported an approach inclusive of all countries. Due to the UN's universality and legitimacy, the body could facilitate a "well-coordinated reform of the international financial system" given the perspectives of all member states. D'Escoto stated that "long-term solutions must include the G-192. Only full participation within a truly representative framework will restore the confidence". Although the United States recognized the UN's key role "in convening such forums", the US "looks forward to reporting the results of these discussions back to [the] capital."

¹CEB Session Report. See <http://unsystemceb.org/reports/semi-annual/CEB%20Fall%202008%20Summary-%207%20Nov%2008.pdf/view>

²Declaration of the Summit. See <http://www.whitehouse.gov/news/releases/2008/11/print/20081115-1.html>

³Leaders of the G-20 countries, IMF Managing Director, World Bank President, UN Secretary-General and Chairman of the Financial Stability Forum.

UN Task Force

At the end of the interactive panel, the General Assembly President announced the members of the Commission of Experts on Reforms of the International Monetary and Financial System (see table), the composition of which had been decided by the General Assembly. The terms of reference of this high level task force focus on examining possible reforms of the global financial architecture, including the role of the IMF and World Bank. Further plenary meetings of the Commission are on the UN schedule for December, January and March 2009.

Table: Commission of Experts on Reforms of the International Monetary and Financial System

<i>Chair:</i> Joseph Stiglitz (USA) - 2001 Nobel Laureate in Economics, former chief economist of the World Bank, Professor at Columbia University
Zeti Akhtar Aziz (Malaysia) - Governor of Malaysia's Central Bank
Jean-Paul Fitoussi (France) - Professor of Economics at the Institute d'Etude Politiques de Paris
José Antonio Ocampo (Columbia) - Served as UN Under-Secretary General for Economic and Social Affairs from 2003-2007
Avinash Persaud (Barbados) - Chairman of Intelligence Capital Limited
Yaga Venugopal Reddy (India) - International Monetary Fund's panel of consultants on Fiscal Affairs
Eisuke Sakakibara (Japan) - Professor at Waseda University in Tokyo
Chukwuma Soludo (Nigeria) - Governor of Nigeria's Central Bank
Jomo Kwame Sundaram (Malaysia) - Assistant Secretary-General for Economic Development at the UN Department of Economic and Social Affairs
Yu Yongding (China) - Director of the Institute of World Economics and Politics

Source: UN News Center.
<http://www.un.org/apps/news/story.asp?NewsID=28958&Cr=financial&Cr1=crisis>

UN International Review Conference on Financing for Development

The UN International Review Conference on Financing for Development, held between November 29 and December 2, 2008 in Doha, offered another vehicle to contribute possible solutions to the crisis. In the final declaration, participants underlined the need to "strengthen the international financial architecture".

This includes reforming the Bretton Woods institutions (BWIs) and creating closer ties between the BWIs and the United Nations. They "should have the technical capacities, credit facilities and financial resources to deal with the management and swift resolution of financial crisis in a manner that elicits and facilitates international cooperation and that is consistent with

their respective mandates" the Heads of State declared.

The participants of the Doha Review Conference decided to "hold a conference at the highest level on the world financial and economic crisis and its impact on development". The General Assembly President planned to "define its organizational structure by no later than March 2009".

Challenges Ahead

- The decision of the G-20 member states to expand the membership of the Financial Stability Forum (FSF) by including key emerging economies was welcomed by the United Nations. At the Doha Conference, the UN recognized the importance of extending the representation of developing countries in other relevant bodies, like the IMF and World Bank. However, the G-20 already indicated during the Summit on Financial Markets and the World Economy in November that such reforms are important. This raises the question whether the G-20 is not a more effective body than the UN and therefore a better place to find solutions to the global financial crisis.

- The representation of emerging countries is higher in the UN task force than in the G-20. Whether the composition of the G-20 is representing these countries adequately depends on someone's view.

- The consequences of the global crisis are not economic, but also social, with unemployment, food shortages and the basic services under pressure. The long-term consequences are yet to be seen, but it will be very likely that the poor and vulnerable will suffer the most.

Further Reading:

- Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus:
<http://www.un.org/esa/ffd/doha/>