



THE PRESIDENT
OF THE
GENERAL ASSEMBLY

7 January 2009

Excellencies,

I have the honour of submitting for your review a statement prepared by the Commission of Experts on Reforms of the International Monetary and Financial System following its first meeting in New York City, 4-6 January 2009.

As noted in my communication of 28 November 2008, the Commission of Experts was convened to prepare a set of comprehensive recommendations by March 2009 that would assist the United Nations General Assembly in defining its approach to increasing the stability and equity of the global financial system.

The enclosed statement, containing 11 recommendations for immediate action, reflects the deliberations of the first of three formal meetings of the 18-member Commission.

In the statement, the Commission calls upon all nations to pay careful attention to the potentially harmful impact on the developing countries of the stimulative policies that the developed countries are taking in the face of global economic and financial crisis.

The Commission also draws attention to the need to address asymmetries in the capacities of the developed and developing nations to adopt counter-cyclical policies in the face of deepening global economic and financial crisis.

Finally, to assure that the burden of economic adjustment does not fall disproportionately on the world's most vulnerable populations, the Commission stresses the urgency of identifying or creating facilities for channeling resources to countries that need liquidity to offset the collapse of global demand for emerging countries' goods and services.

The next formal meeting of the Commission will be held in Geneva on 8-10 March 2009.

Please accept, Excellencies, the assurances of my highest consideration.

A handwritten signature in black ink, appearing to read 'Miguel d'Escoto Brockmann', written over a horizontal line.

Miguel d'Escoto Brockmann

All Permanent Representatives and
Permanent Observers to the United Nations
United Nations Headquarters, New York



Office of the President
63rd Session of the General Assembly

**MEMBERS OF THE COMMISSION OF EXPERTS OF THE PRESIDENT
OF THE UN GENERAL ASSEMBLY ON REFORMS OF THE
INTERNATIONAL MONETARY AND FINANCIAL SYSTEM**

1. **Mr. Joseph Stiglitz** (USA) (Chair) Nobel Prize in Economic Sciences (2001). Former Senior Vice President and Chief Economist of the World Bank.
2. **Mr. Jean-Paul Fitoussi** (France) Professor of Economics at the Institut d'Etudes Politiques de Paris since 1982. Currently President of the Scientific Council of the Institut d'Etudes Politiques de Paris and President of the Observatoire Français des Conjonctures Economiques.
3. **Mr. Charles A. E. Goodhart** (UK) Norman Sosnow Professor of Banking and Finance, London School of Economics. Former Chief Advisor to the Bank of England and member of its Monetary Policy Committee.
4. **Mr. Pedro Páez** (Ecuador). Minister for Economic Coordination.
5. **Mr. Jomo Kwame Sundaram** (United Nations) Assistant Secretary-General for Economic Development, United Nations Department of Economics and Social Affairs.
6. **Mr. José Antonio Ocampo** (Colombia) Former UN Under-Secretary-General for Economic and Social Affairs and Finance Minister, Colombia. Currently Professor, School of International and Public Affairs, Columbia University.
7. **Mr. Avinash Persaud** (Barbados) Chairman of Intelligence Capital Limited. Member of council, London School of Economics. Founding director of the Global Association of Risk Professionals.
8. **Mr. Yaga Venugopal Reddy** (India) Former Governor of the Reserve Bank of India.
9. **Ms. Zeti Akhtar Aziz** (Malaysia) Governor and Chairman, Central Bank of Malaysia.
10. **Mr. Eisuke Sakakibara** (Japan) Former Vice Minister of Finance for International Affairs. Currently Professor at Waseda University, Tokyo.
11. **Mr. Chukwuma Soludo** (Nigeria) Governor, Central Bank of Nigeria.
12. **Mr. Yu Yongding** (China) Director, Institute of World Economics and Politics, Chinese Academy of Social Sciences. Former Member of Monetary Policy Committee, People's Bank of China.
13. **Ms. Heidemarie Wieczorek-Zeul** (Germany) Federal Minister of Cooperation and Development.
14. **Mr. Yousef Boutros-Ghali**, Egypt. Minister of Finance. Chair of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund.

15. **Mr. Rubens Ricupero** (Brazil) Former Secretary-General of UNTACD. Former Minister of Finance of Brazil.
16. **Mr. Robert Johnson** (USA) Former Chief Economist of the US Senate Banking Committee and former Senior Economist of the U.S. Senate Budget Committee. Former managing director at Soros Fund Management. Member of the Board of Directors of the Economic Policy Institute and the Institute for America's Future.
17. **Mr. Andrei Bougrov** (Russia) Managing Director and member of the Board of Directors of the Interros Company. Former Principal Resident Representative of Russia, Executive Director and member of the Board of Directors of the International Bank for Reconstruction and Development.
18. **Mr. Benno Ndulo** (Tanzania) Governor of the Bank of Tanzania.

Rapporteur

Mr. Jan Kregel. Former UNDESA staff; now University of Kansas and the Levy Economics Institute of Bard College.

The Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System

Recommendations for Immediate Action

The Commission held its first meeting in New York on January 4 through January 6.

The current financial crisis, which began in the United States, then spread to Europe, has now become global. Even emerging markets and less developed countries that managed their economy relatively well, resisted the bad lending practices, held high levels of foreign exchange reserves, did not purchase toxic mortgages, and did not allow their banks to engage in excessive risk taking through derivatives and excessive leverage have become embroiled and are likely to suffer as a result. *Any global solution—short term measures to stabilize the current situation and long term measures to make another recurrence less likely—must pay due attention to the impact on these countries.* Without doing so, global economic stability cannot be restored and economic growth, as well as poverty reduction worldwide will be threatened.

This unprecedented global financial and economic crisis requires an unprecedented global response. It requires a response not just from the G-7, G-8, G-10, or G-20, but from the entire international community, the G-192. This gives especial importance to this initiative of the President of the General Assembly, which has received so much support from around the world.

The Commission began its work, seeking to identify the underlying factors that have contributed to the magnitude of the crisis and its rapid spread around the world and broad principles underlying needed institutional reforms required to ensure sustained global economic progress and stability, which will be of benefit to all countries, developed and less developed.

Reforms and regulations have a goal: the better functioning of the world economic system for mankind's global good. This entails simultaneously pursuing long term objectives, such as sustainable and equitable growth, the responsible use of natural resources, and reduction of greenhouse gas emissions, and more immediate concerns, including addressing the challenges posed by the food and financial crises.

The Commission noted that the failure to act quickly to address the global economic downturn inevitably will increase its depth and duration and the eventual cost of restoring prosperity. With that in mind, it makes the following recommendations for immediate action, which focus particularly on the adverse impact of the global recession on developing countries and on the poor throughout the world.

1. It is imperative that all the developed countries take strong and effective actions to stimulate their economies. In doing so, they should be mindful of the adverse consequences that their monetary and fiscal policy actions may have on other countries, especially developing countries. Additional assistance to developing countries may be required to offset these effects. An effective stimulus policy should be timely, have a large bang for the buck, help address the strains posed by the economic down turn on the poor, and to the extent possible, help address long run problems and prevent instability. Care should be taken to address potential negative impacts on global imbalances.

2. There are large asymmetries in global economic policies—countercyclical policies are pursued by developed countries, while most developing countries pursue pro-cyclical policies. But even symmetric policies can have asymmetric effects: guarantees provided to financial institutions in developed countries cannot be effectively matched by developing countries. Nor can they match in breadth and scale the subsidies being provided to financial and non-financial institutions in their bail-outs. Whether there ever was a level playing field may be debated; that there is no longer one cannot be. Even the knowledge that there may be a rescue if things go badly gives firms in advanced industrial countries a distinct advantage; they can undertake risks that those in poorer countries cannot. This highlights the lack of coherence between existing global macro and financial arrangements, policies, and frameworks and those governing trade.

3. It is imperative that developing countries be provided with funds to enable them to undertake comparable policies, to stimulate their economies, to provide social protection, and to ensure a flow of liquidity to their firms, including maintenance of trade credits. Failure to provide such support can have long term effects. There will be an increase in poverty and malnutrition and educations will be interrupted, with life long effects. The sense of global social solidarity will be impaired, making agreement on key global issues, such as responding to the challenges of climate change, more difficult. Developed countries should resist the temptation to cut back on development assistance. This is a time to expand assistance, probably by an order of magnitude of at least twenty per cent, including for infrastructure projects addressing long term development and environmental problems.

4. In some parts of the world, there are ample sources of liquid funds, and more of these need to be made available to the needy developing countries. However, countries with these funds are not now adequately represented in the multilateral institutions. While this highlights the need for long discussed reforms in their governance, in the short run the creation of a new credit facility, perhaps within the IMF, the World Bank, or regional or sub-regional development banks, should be considered. The new facilities should have their own governance, be more reflective of democratic principles, with stronger representation for developing countries. These new governance arrangements might serve as a model for future reforms of the multilateral institutions.

5. While funds within the International Financial Institutions are limited, it is imperative that more funds be provided, and that they be provided without the usual conditionalities, especially those that force these countries to pursue pro-cyclical policies or to adopt the kinds of monetary and regulatory policies which contributed to the current crisis. Besides the usual arguments against these conditionalities, they contribute to global asymmetries, disadvantaging developing countries relative to the developed, and they undermine incentives for developing countries to take up the funds, contributing to global economic weakness. While we commend the initial initiatives by the IMF, it is questionable whether they are sufficient.

6. Additional funding could be provided by a large issuance of Special Drawing Rights. The Commission, in later meetings, will address alternative modalities by which this may be done and assess longer term reforms in the global reserve system.

7. The Commission noted several regional efforts at cooperative responses to the crisis, including providing needed liquidity, and urged the consideration of their expansion. For instance, extension of liquidity support under the Chiang Mai initiative without an IMF program requirement should be given immediate consideration.

8. The crisis is widely viewed to be the result of the failure of regulatory policies in the United States and some other advanced industrial countries. To make significant and meaningful changes, it may be necessary to draw lessons from countries in the developed and developing world that have avoided instability.

9. The crisis highlights how policies and institutions in developed countries can have global systemically significant effects. Developing countries should have expanded scope for establishing policies and institutions appropriate for their conditions. This includes developing frameworks that help insulate themselves from regulatory and macro-economic failures in systemically significant countries.

10. Members of the Commission noted that while lack of transparency is widely recognized as having contributed to the problems in the financial market, there have been significant lapses in transparency in the manner in which the bail-outs have been conducted. The Commission urged greater transparency on the part of all parties in responding to the crisis.

11. While a successful completion of the Doha trade round would be welcome, certain actions could be implemented immediately, namely the opening of markets in advanced economies to least developed countries' exports.

The Commission will continue its work on reforms in regulatory and macro economic policies and in the international economic institutions and arrangements which will enhance global economic and financial stability and prosperity. Its next plenary meeting will be held in Geneva on March 8-10.