Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1673 (2009)[1]

Challenges of the financial crisis for the world economic institutions

Parliamentary Assembly

1. The Parliamentary Assembly expresses its solidarity with governments and parliaments in Europe and around the world that are struggling to counter the effects of one of the worst financial and economic crises for decades, with its severe negative impact on growth, trade, investment and employment across the globe and untold social and human consequences. Among other things, the crisis has focused renewed and more urgent attention on the role and relevance of the world's economic and financial institutions and their governance – already under close scrutiny before the crisis – not least in order to assess how far their mandates allow them effectively to help overcome the crisis and the role they should play in preventing such turmoil in the future.

2. In this context the Assembly reaffirms its Resolution 1651 (2009) on the consequences of the global financial crisis, which set out principles that should be taken into account in seeking to soften and come out of the recession and reform the financial system, including the need to safeguard the social and economic rights of citizens. In this context, the Assembly encourages the International Labour Organization (ILO) to intensify its work to alleviate the often dramatic cost of the crisis in human terms. The Assembly also strongly reaffirms the right of every citizen to be fully and accurately informed about markets and financial products in a transparent manner, so as to allow optimum management of risk to their savings. The availability of complete and precise information to consumers is essential to any well-functioning economy.

3. The Assembly welcomes the progress already made in reforming the international financial architecture under the aegis of the Group of 20 major industrial and emerging countries (G20), whose leaders met in Washington DC on 15 November 2008 and in London on 2 April 2009 and will meet again before the end of 2009 to review further progress. The fact that the G20, a body more representative of the global economy than the G7 or G8, is spearheading these efforts marks in itself a major change in international financial governance and ensures that its deliberations will carry weight. Its membership includes the key emerging economies and represents some 90% of world GNP, 80% of world trade and two thirds of the world's population.

4. The Assembly considers that the main challenge facing international financial institutions, such as the International Monetary Fund (IMF), and multilateral development banks, such as the World Bank, as well as the governments that fund them, is to ensure adequate global liquidity and stability in order to restore growth and hence employment. In addition, international financial institutions must play a major part in restoring confidence in the international financial system by contributing to the enhancement of its regulatory framework. In this context the Assembly welcomes the work of the Financial Stability Forum and its transformation into an enlarged and strengthened Financial Stability Board. The Assembly considers that putting the international banking system back on track must be a top priority. For their part, the multilateral development banks must step up their efforts to ensure that the least developed countries do not suffer disproportionately as a result of the crisis.

5. The Assembly expresses particular satisfaction that the G20 has assigned additional resources to the IMF and the multilateral development banks to cope with the demands arising from the crisis. The resources of the IMF are to triple to US$750 billion, and it has been given the authority to issue US$250 billion in new

1. *Assembly debate* on 23 June 2009 (21st Sitting) (see Doc. 11944, report of the Committee on Economic Affairs and Development, rapporteur: Mr Sasi). *Text adopted by the Assembly* on 23 June 2009 (21st Sitting).

special drawing rights. The multilateral development banks have been ensured adequate capital to increase their lending by at least US$100 billion, including to low-income countries. Nevertheless, the Assembly expresses concern that much of this funding remains outstanding. It therefore calls on those governments of the G20 and those of other Council of Europe member states that have not yet contributed to ensure that the international financial institutions and multilateral development banks are guaranteed sufficient funds to perform the tasks they must assume.

6. The Assembly takes note of the inefficiency of the existing financial market regulators, which is one of the reasons for the global crisis. The possibility of the establishment of a global regulator across financial markets should be studied for the prevention of such crises in the future.

7. The economic crisis shows that the role of nation states in a globalised world is limited. For this reason, international economic and financial co-operation must be strengthened. There are global systemic problems in the financial structures and these structures must therefore be changed. The supervision of rating systems must be developed. The international reserve system based on national currencies must be reviewed. The need for an international bankruptcy court should also be considered.

8. The Assembly notes with alarm that, although the Organisation for Economic Co-operation and Development (OECD) has reported that official development assistance reached its highest level ever in 2008, many donor countries are still not fulfilling the promises they made at the G8 Summit in Gleneagles, Scotland, in 2005. Moreover, the OECD expects that remittances from migrant workers, a major source of income for the developing countries, will drop significantly in 2009.

9. The Assembly welcomes the loans arranged by the IMF with countries severely hit by the crisis, including several Council of Europe member states. It urges all countries to follow policies of fiscal responsibility and calls on the IMF to provide early preventive advice to countries likely to experience difficulties rather than being forced to impose harsh conditions on loans to them when it is too late to do otherwise. In this context, the Assembly welcomes the steps taken by the IMF to introduce more flexible loans, including higher limits, increased concessional lending for low-income countries, less stringent conditions, improved standby arrangements and the new flexible credit line designed to insure countries with basically sound economies against sudden capital outflows.

10. The Assembly welcomes the recent decision of the World Bank to temporarily stop using the "Employing Workers Indicator" (EWI) of its publication with the highest circulation, *Doing Business*, and to convene a working group to revise the EWI and to establish a new worker protection indicator, as well as to offer broader ideas on labour market and employment protection issues – with a view to creating regulations that help build robust jobs with adequate protection that can withstand future crises.

11. The Assembly welcomes the steps already taken by the Bretton Woods institutions to improve their governance, legitimacy, credibility and accountability, not least by providing a greater voice for the emerging and developing countries, but underlines that in order to carry out their new responsibilities effectively, they should speed up the implementation of reforms going forward.

12. Conscious that fair and balanced international trade is a major contributor to world economic growth and also employment, and that such trade is expected to fall by 9% in 2009, the Assembly supports the G20 in its call to reject protectionist measures and welcomes its decision to ensure availability of at least US$250 billion over the next two years to support trade finance through export credit and investment agencies and through the multilateral development banks. The Assembly reiterates its appeal to the members of the World Trade Organization (WTO) to make every effort to conclude the Doha Round of trade negotiations, in a spirit of constructive solidarity especially with low-income countries. The Assembly also calls on the WTO to examine ways to make the negotiating framework more flexible.

13. The Assembly welcomes the work of the OECD to address the impact of the crisis, in particular in the context of the internationally agreed tax standard, and the regulation of the international financial system, and looks forward to discussing the OECD's contribution in more detail on the occasion of its annual debate on the activities of this organisation.

14. The Assembly calls on the parliaments of the Council of Europe member states that vote for the national budgetary contributions necessary for the funding of the international financial and economic institutions to exercise close vigilance over every aspect of their activities.