The G20 and the Global Economic Crisis

In April of this year the G20 met in London to address the continuing global economic and financial crisis. At the end of the Summit British Prime Minister Gordon Brown announced pledges of $1.1 trillion to boost the world economy and avoid an economic depression. InterAction urges the G20 countries to continue the progress made at the London Summit. The G20 leaders should fulfill pledges they agreed to in London and take the following actions to reduce the negative impacts of the global economic and financial crisis.

1. The G20 countries must rapidly implement their London Summit pledge of $50 billion dedicated for low-income countries to help them mitigate the impact of the global financial and economic crisis.
   - Developing countries need to have immediate access to funds and the flexibility to design and implement counter cyclical policies and social safety nets, which most developed countries have already undertaken.

2. The G20 countries should establish a transparent accountability mechanism to monitor their agreed decisions, pledges and disbursements.
   - This process must be robust, credible, public and inclusive.

3. The International Financial Institutions (IFIs) should be responsive to developing countries’ needs and use innovative mechanisms for a rapid disbursement of funds.
   - Resources should be in the form of grants, not loans, to avoid accumulation of unsustainable debt and stimulating a new debt crisis.
   - Developing countries need to be protected from pro-cyclical policies often imposed on them by the IFIs.
   - IFI governance must be rapidly reformed to reflect the changing global economy and allow emerging economies and developing countries to have representation in the economic decision-making bodies.

4. The G20 should ensure that financial institutions and markets are reformed, held publicly accountable and regulated effectively. Reform measures must include provisions to address abusive and risky activities of hedge funds, “vulture funds,” off-balance sheet transactions and credit rating firms.

---

1. The G20 consists of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, Great Britain, United States.
2. See G20 Financial Commitments by John Ruthrauff of InterAction or go to www.LondonSummit.co.uk.
3. Counter cyclical policies are government policies aimed at reducing or neutralizing the negative effects on societies of the business economic cycles common to capitalism. Such policies encourage spending during downturns and tighten credit during inflationary periods.
4. The IFIs include the World Bank, International Monetary Fund (IMF), regional development banks in Africa, Asia and Latin America, the European Bank for Reconstruction and Development (EBRD) and others.
5. Pro-cyclical policies of government increase the business economic cycle by discouraging spending during downturns—for example, by tightening credit—and encouraging spending during upturns.