

**FINANCE**

22. Beyond the various rescue packages put in place to recapitalize distressed banks and stabilize the financial systems as well as the fiscal stimulus to reactivate economic activity, global policy coherence within the multilateral system is also called for in a certain number of other areas of finance.

23. There is a widely shared agreement on the urgent need for a thorough reform of the global financial architecture. This is now on the agenda, mainly through the G20 action plan. The big challenge ahead is to connect the financial reform with the multi-dimensional response required to confront the global crisis which has gone far beyond the financial sphere alone.

24. As the financial crisis spreads to developing countries with potentially dramatic consequences, mobilizing resources and putting at their disposal the relevant policy packages to help them combat the impacts of the crisis is an economic, social, political and moral imperative. Active counter-cyclical macroeconomic policies like public investment programmes and innovative private-public partnerships in order to boost economic demand and help vulnerable countries is an essential requirement. The need for policy options and a second opinion from other parts of the system in terms of financial policy advice to countries is considered critical.

25. In the face of the present credit crunch and heightened mistrust of traditional financial market players, finance has to recover its essential function, which is to nurture productive investment and trade. Microfinance, which in times of crisis has proved more resilient than commercial banks, should be strengthened in order to overcome credit restriction and provide financial services to the poor. Areas of critical concern are credit access for the viability of small and medium enterprises, aid for trade as well as liquidity for trade finance.

26. Another relevant aspect is international exchange rate management, as the currencies of some countries are coming under downward pressure due to continuing currency speculation. Speculation, seen as one of the roots of the present financial meltdown, also needs to be addressed, together with financial sector regulation, and global monetary coordination.

27. Urgent coordinated action needs to be undertaken to stabilize the global financial system and make it more robust and sustainable in the long-run. The rules and regulations that will have to be established need to consider the global inter-connectedness of banking, monetary and financial systems. But a broader view is indispensable and therefore, the opportunity should not be missed for a wide-ranging reform that puts the financial system at the service of the real economy and people, and not the other way around.