**United Nations Office of the High Commissioner for Human Rights—Promoting Human Rights in Post-Crisis Financial Regulation and Macroeconomic Policies:**

Expert Meeting on April 24 on “Rights in Crisis”

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* The IMF’s contribution to human rights can only be indirect. While member countries have independent international human rights obligations, ensuring compliance with such obligations is not within the mandate of the Fund. With regard to the impact of the world economic crisis on human rights, the Fund can use its surveillance, policy advice and financing activities to support member countries and to help achieve a stable economic and financial environment, which will in turn facilitate the development of human rights in member states.
* In particular, the Fund promotes a stable system of exchange rates and a system of current payments free of restrictions and provides financial support for balance of payment problems. The Fund also explicitly promotes broad-based and inclusive economic growth (including employment generation and poverty reduction). Fund programs often include measures to safeguard social spending and mitigate effects on the poorest segments of society. All of these activities help to establish the economic conditions conducive to—and often necessary for—achieving essential human rights.
* In addition, the Fund has long advocated respect for the rule of law as a means of promoting sustainable economic growth, and rule of law reforms generally result in checking the exercise of power by states. For example, Fund programs promoting good economic governance have advised on reforms limiting ad hoc decision making, rent seeking, and inappropriate preferential treatment and have provided assistance with building effective public institutions and improving public sector accountability and transparency.

2. Let me add a few additional observations relevant for today’s discussions:

* First, I would like to point out that the Fund is not a regulator and/or supervisor and that this responsibility falls in the domain of domestic authorities (central banks, finance ministries and regulatory/supervisory agencies). There are also multilateral bodies, such as the Financial Stability Board (FSB), the Basel Committee, or other international standard setters like the international accounting standards board. These bodies formulate guidance, which then can be transposed into national laws, rules, and regulations.
* Second, our engagement and advice in these matters is focused on financial stability and safeguarding the soundness of financial systems. But by pursuing the primary objective of helping to safeguard monetary and financial system stability and financial sector soundness, we also help protect the most vulnerable from the potential impact of financial sector failures and crises.
* In other words: Effective regulation and supervision is essential not only for safeguarding financial sector soundness, but also to ensure that individuals' savings deposits with financial institutions are protected. Deposit guarantee schemes or deposit insurance, for example, are usually designed to protect deposits up to a certain ceiling, not least with the aim of shielding in particular those who are less well off. I should emphasize here that it is important not only to focus on effective regulation, but also on good supervision and enforcement.
* Third: Regulators and standard setters need to avoid creating problematic incentives or unintended consequences. For example, it would be important to avoid fostering excessive short-termism that may yield short-run benefits in some parts of the financial system, but over the medium-term can carry the risk of destabilizing the system with detrimental effects on the real economy.
* Finally the experience with the financial crisis has also brought back to the table the discussion about the pros and cons of different banking system structures and philosophies. For example, many observers have begun to remember the benefits of traditional relationship banking, as well as the importance of fostering a diversified financial sector, with financial institutions that follow different types of (competing) business models, and financial intermediation through the banking system complemented by well functioning capital markets. Again, the main thrust of that discussion is on the benefits and risks of different banking and/or financial intermediation models, and ultimately about fostering a sound and effective financial system that supports the longer-term positive development of the real economy. It is not directly about human rights in the first instance. But clearly, a financial system that is sound and serves the real economy well, is also good for the people and thus helps support their rights indirectly.