Second Drafting Session on Third FfD Conference

Civil society interventions on Systemic Issues

Statement delivered by Mr. Grégoire Niaudet, Caritas France

Thanks Mr. Co-facilitator for giving me the floor.

My name is Grégoire Niaudet, from Caritas France, coordinating the work of French CSO on FfD issues. I also talk on behalf on the broader group of CSO involved in FfD process.

Paragraphs 92 and 96 recognize that the post 2008 financial reforms are still incomplete, but it is necessary to reaffirm the authority of the UN in coordinating these reforms so that they are consistent with the 3 pillars of the SDGs and that each member state can participate in decision-making on financial reforms.

In para. 96 the text should strengthen recognition of the systemic risks posed by speculative activities and by international banking and financial markets structure. It should call for a strict separation between commercial and investment banking activities and also call for a strict limitation of speculative activities by other financial actors. It is essential that banks and institutions return to their primary mission of serving the real economy and societies

The text mentions volatility of commodity prices but needs to be expanded in two senses. First, recognize how critical volatility of commodity prices affects developing countries due to their prevailing productive structure. And second call for further reforms to adequately limit speculative trading activities so as to protect orderly pricing and prevent market distorting positions.

It is essential that some measures mentioned in the text as capital account management tools are not undermined by trade and investment agreements that are binding for countries and prevent them to implement such policies.

In para. 97, the reform of compensation practices should also aim at financing and investment in economic and government activities that aim at achieving progress on the SDGs.

Para. 98 should extend analysis of consistency with the SDGs to shadow banking and non-banking financing institutions.

Finally, we would like to request recognition of the systemic risks emanating from proposals in other parts of the text such as the reference to the securitization to finance SMEs (para. 46) and the use of all forms of infrastructure funding (para. 53) which could be misunderstood as endorsing the introduction of new financial assets classes. The financing of public services through financial market mechanisms would make public services subject to the vagaries of speculative behavior.

Finding funds for the post-2015 agenda should not mean that the public interest must become marketable. It should rather mean that financial markets should become "public-interestable."

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Statement delivered by Mr. Aldo Caliari, Center of Concern / CIDSE

Thank you, Mr. Co-Chair,

We are concerned about the reemergence of some old arguments that call into question whether UN is or is not appropriate forum to address these issues. We thought we were past that after the Monterrey Conference and certainly after the World Conference on Economic Crisis, both consensus agreements (this latter clearly recognizing that the UN has a rightful claim as a place to address reforms of the international financial system).

We hope we will not see this issue re-litigated in these negotiations.

Let's remember Addis Ababa conference is not a UN conference, just like Monterrey was not, but an International conference, where the Member States that own all global economic institutions can perfectly make political commitments regarding such institutions.

A few comments:

On para. 92: we would like to see a decision to pursue further reforms to the global monetary system and specify that the goals of such reforms are to reduce volatility, foster job-creation and make the system less prone to recessionary crises.

Para. 93 addresses a much-needed international coordination of macroeconomic policies, but it leaves unclear where will that happen, institutionally. The IMF has failed at performing that role in an even –handed way, it is fatally flawed to do so, so we'd call for exploring other alternatives such as Global Economic Coordination Council.

On Para. 95: SDRs are very important but it would be important to place them at the center of the international monetary system and, for that, we need public policy decisions that support issuance, use as unit of account, price benchmarking, and so on; also reforms in the basket composition, the functions SDRs play [some payment function central bank to central bank] and the allocation system so they benefit developing countries –at the moment they are allocated based on quota, so the richest countries receive the bulk of any new issuances.

The same paragraph mentions the very important issue of regional economic and financial cooperation. But it doesn't stand out in the document, being just a small mention at the end of a paragraph. It should be more prominent, and mention **regional and sub-regional development banks, commercial and reserve currency arrangements, and other regional initiatives,** as done in the outcome of the World Conference on Economic Crisis. And it should welcome these regional initiatives as contributors to diversity and therefore financial stability (for that, no coordination with the IMF is needed).

This chapter, in general, is too benign on the role the IMF played as early warning and emergency lending institution in the lead up and response to the global financial crisis. It needs to interrogate this a lot more, and any further financing for the IMF should be subject to its fulfilment of systemic responsibilities.

Finally, In order to avoid working in silos the zero draft should recognize transparency as a systemic issue. This is pre-condition for better coordination, policy coherence and accountability. It should recognize initiatives such as open government, illicit financial flows and the international aid transparency initiatives.

Thank you, Mr. Co-Chair.