

**Addressing systemic issues; Enhancing the coherence and consistency of the International Monetary, Financial and Trading Systems in Support of Development**

**TEXT PROPOSALS SUBMITTED BY CANZ (Canada, Australia, & New Zealand)**

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47. ~~Despite several efforts, progress in addressing systemic issues since Monterrey has been limited~~ **Since Monterrey, there has been some incremental progress in addressing systemic issues.** We resolve to ~~undertake more decisive and timely steps to~~ **further** improve the functioning of the international economic system to promote global growth and to better support development efforts. This is crucial for an integrated implementation of the Monterrey Consensus and to help achieve the IADGs, including the MDGs.
48. The globalization process has continued to accelerate, bringing closer economic links coupled with significant economic benefits to many countries and people. However, **an increased effort is necessary to ensure that other** ~~this process is~~ **including regions and localities within countries, as well as groups, and individuals, particularly women and other marginalized people, are not left behind in this process.** This implies new challenges and demands on the global economic institutions and their coherence and governance systems.
49. Countries should continue to enhance macroeconomic policies and strengthen their financial systems. **[MOVED FROM LAST SENTENCE: Improved coordination among the relevant ministries and institutions in both developed and developing countries remains necessary for a coherent** ~~can assist~~ **in the formulation and effective implementation of policies at all levels.** It is equally important that international development institutions and developed countries ~~tailor their international economic policies more in line with~~ **make best efforts to remain sensitive to** the needs of both low-income and middle-income countries.
50. The foundations of stable international financial markets rest on sound macroeconomic and financial policies. Solid financial institutions at the country level are an essential pillar of a well-functioning international financial architecture. It is crucial, in particular, that countries with large economies manage them in ways that contribute to global stability and growth.
51. ~~Enhanced financial information and transparency in the financial operations of public and private financial institution, particularly banks, are key elements for a well-functioning international financial system.~~ **We recognize that reforms to**

**the regulatory and institutional regimes for the world's financial sectors are needed to remedy deficiencies exposed by the current financial crisis.**

National regulators should enhance financial information and transparency at the domestic level. **The central bank, or other appropriate agency, in each country should have responsibility for financial system stability.** We will further endeavour to strengthen cooperation among national regulators to adopt adequate ~~common~~ standards, as financial resources flow increasingly across borders.

#### **MERGE OP51 with OP52**

52. ~~The emergence of new and highly globalized financial instruments is changing the nature of risks in the world economy.~~ It is **also** important that **national regulatory and policy** agencies in cooperation with the IMF, the Financial Stability Forum (FSF) and other agencies, both public and private, examine the factors that might increase systemic risks and trigger systemic crisis, ~~in particular the various unregulated activities in international financial markets with a view to bolstering oversight and stability. assess whether further regulation at the national and international levels is necessary.~~ **These discussions must involve both developed and developing countries to ensure these reforms meet emerging challenges.**
53. We reaffirm that the Bretton Woods Institutions should be the key pillars of a strengthened international financial architecture. They should have the capacity to deal with the management and swift resolution of financial crises in a manner that elicits and facilitates international cooperation. We will undertake measures to ensure that the BWIs have the technical capacities, credit facilities and financial resources necessary to assist countries in preventing financial crises and helping them to **manage** ~~deal with~~ the adverse effects of large fluctuations in the price of key commodities. The need for special drawing rights allocation should be kept under review.
54. Regional development banks are key actors in supporting development and furthering regional integration efforts. They play a vital role in the respective regional governance structure. We must ensure that they have the necessary resources to accomplish their tasks. Other regional cooperation frameworks such as financial and monetary arrangements that complement the international financial system can be instrumental in fostering development and financial stability among its members. ~~We encourage~~ **Those arrangements as they may also** facilitate financial flows, lower transaction costs, serve as mechanisms that assist in the prevention of financial crises and render parties of such arrangements more resilient.
55. Credit rating agencies play a significant role in the provision of information, including assessment of corporate and sovereign risk. The systemic role of the major bond rating agencies in the lead-up to the latest financial crisis has

stimulated an international discussion about the need for more transparency and reduced conflict-of-interest in operations. We recognize the need to establish an appropriate, inclusive process to consider measures aimed at improving agency oversight and increasing their accountability and transparency, **including measures to encourage credit rating agencies to continue strengthening their risk assessment frameworks to better inform their customers of the risks inherent in their various financial products.**

56. Most efforts in the formulation of standards and codes have taken place outside the multilateral system. It is crucial to ensure an effective and equitable representation of developing countries in standards and norm-setting bodies. While these bodies have increased consultation with some countries, more should be done to broaden the participation **where appropriate.** ~~We recognize that the implementation of standards and codes in developing countries with less advanced financial systems should be flexible.~~
57. We recognize **the importance of changes in the governance regime of the global economic and financial institutions being adopted.** ~~are needed.~~ The agreement regarding the recent quota **and voice reforms review** in the IMF is a **positive step in increasing the participation of developing countries on the board.** ~~is a step in the right direction; yet greater efforts need to be exerted to increase the voice and participation of developing countries on the board.~~ **We welcome the recent agreement to improve the representation of low-income countries at the World Bank.** ~~It is also important to examine conditions by which only a few members can at times block key decisions. The World Bank and other entities such as the FSF and the Basel Committee should consider taking similar steps to achieve a more equitable participation of all members of the international community; the same applies to other bodies engaged in international economic decision-making.~~
58. **58ALT: Welcoming the ongoing international discussions on global economic governance structures, we acknowledge the need to ensure all countries, including low-income countries, are able to effectively participate in this process. We invite the International Monetary and Financial Committee and the Development Committee to take the appropriate actions to ensure full and equitable participation in the reform discussions.**