Monday April 14 2008

3:00-4:45 pm
Thematic debate (ECOSOC Chamber)
"Building and sustaining solid financial markets: challenger for international cooperation"

Statement of Elena Gerebizza, Manitese/Campagna per la Riforma della Banca Mondiale

Thank you Mr. President. I represent here a Network of European organisations working on Finance for Development. I have listened with attention to the presentations and I must say that the thing that strikes me the most is the fact that the current financial crisis will hit – after the US, Europe and the emerging economies – also developing countries as warned by the IMF, undermining the efforts undertaken with many difficulties to achieve the Millennium Development Goals. I think that if we truly want to face the international financial crisis, we need international regulatory frameworks, which allow especially in developing countries to ensure economic stability. The challenge here is to make the financial market work for development.

For this I think that to build and sustain solid financial markets we need to address the systemic issues which contributed to the current financial crisis. New actors, such as hedge funds and private equity funds are a threat to financial stability. The international financial system lacks a supervisory bodies to control complex instruments and most derivatives. Unregulated offshore centers and tax heavens make capital flight and tax evasion easy, removing funds needed for government spending in developing countries. Paragraph 64 and 65 of the Monterrey Consensus called for developing countries to strengthen their tax cooperation and reduce capital flight. Also the 2005 United Nations World Summit called for efforts to reduce capital flight and requested measures to limit other illicit transfers of funds.

Capital flight and other illicit transfers of funds must be combated. The previous session was dedicated to new initiatives for financing for development. We welcome them but I would like to highlight that developing countries do have the resources to finance the social and infrastructural investments they need, the problem is that they do not have the capacity to retain much of these resources due to capital flight. According to recent studies, developing countries lose between 539 and 839 billion US$ each year due to capital flight. This is an issue that the finance for development process must address.

Two concrete proposals from the European Network on finance and development that here I represent and that you will find in the statement that we handed in.

We call for a strengthening of the UN Tax Committee, which should be upgraded into an intergovernmental entity. Its agenda should include measures to combat capital flight and tax evasion. In the long run, what we hope is the establishment of a World Tax Organisation.

As a first step in this direction, a Committee on Financing for Development should be created to change the nature of the existing dialogues of the UN and the Bretton Woods Institutions and WTO for an integrated review of the chapters of the Monterrey Consensus. We think that a more structural plan is needed to take forward the Finance for Development process.

Thank you.