

Input on an Financing for Development follow-up mechanism

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Bread for the World is a member of ACT Alliance, a broad international network of faith based organizations in 140 countries.

During the discussions on 11 December UN members referred several times to the G20's legitimacy problem. The agreements of the group, even though brought to the IMF and other financial institutions for endorsement, are impacting non- G20 countries also without their proper involvement in decision making. The G20 are taking on important initiatives on the so-called shadow banking system, on the "too big to fail" financial institutions and on regulating derivatives. However these proposed measures are in no way sufficient to make our global financial system stable nor to prevent a next financial crisis. In addition, there are several problem areas that have not yet been dealt with either at G20 level or in any other international forum.

Examples of such open questions were discussed in the earlier sessions for example how to deal with the huge reserves and if some of them could be better used for development. Another question was raised about what role the IMF and its Special Drawing Rights could play in that regard.

A big problem, only mentioned here is how to reduce the huge unproductive financial flows, some of which are mere speculation that bear dangerous risk for the global financial system. Other open questions mentioned by developing countries were, how to finance small and medium enterprises, how to regulate private flows so that they support development for all, not just small regional areas of economic growth. An additional topic for further discussion among member states could be how to finance social protection for all. In most countries, it could be through progressive taxation; in the poorest countries through international partnership (setting up a UN fund on a social protection floor).

Proposal:

The UN has a norm setting role and is best equipped for designing new principles based on human rights. The Financing for Development (FfD) process brings together Foreign, Finance and Development Ministries, the IMF, the private sector and civil society and provides therefore a good tool to bring about better coherence in our economic and financial system.

Therefore, we propose to bring those open questions mentioned before as well as the discussion between the G20 countries and the rest of the UN member states under the umbrella of the FfD Process. An easy way to do it would be to use the instrument established in Monterrey: the **multistakeholder dialogues**. There are already examples for successful dialogues held under the guidance of the FfD Office -- for example on debt -- by governments, the private sector and by civil society. This mechanism could be developed further and become working groups that meet regularly on specific topics, gather expertise and involve all relevant actors.

Recently, we organized two events on financial regulation in collaboration with the FfD Office and had the Financial Stability Board, the German Finance Ministry, the New York Federal Reserve Bank, academics from different countries, civil society and investors sit around the table. One proposal was made to set up an approval system for the numerous dangerous new financial products that could kick off another crisis. You can find the results on the FfD website when you go to Special events on

20 October (see at www.un.org/esa/ffd or at <http://info.brot-fuer-die-welt.de/blog/brot-fuer-welt-expert-meeting-un-global-financial>).

We heard earlier how efficient the working groups under the UN Tax Committee are, which meet regularly throughout the year. By the way, the G20 are preparing their proposals within specific groups that meet throughout the year and get support from institutions, governments and the private sector. That is a model the international community could emulate. The FfD Process is well equipped to become a basis for tackling in an efficient and comprehensive way some of those pending questions. Every country could start immediately such a dialogue and invite relevant actors like the Financial Stability Board, the IMF and the World Bank so as to involve them in a more global forum on issues discussed at G20 level. Also, the IMF could use this platform to not only inform countries about their new instruments, but involve them in the design and thus broaden the use of them.

However, there is so far no appropriate forum within the UN, where concrete proposals arising from such dialogues are discussed in a wider group.

Therefore, there is a **need to establish an FfD Committee or Commission** as an intergovernmental body where a consensus can be built that then leads to political decisions.

We hear from our European governments, that new bodies are not a guarantee for success. That is right. But doing and risking nothing, continuing with a fragmented and unstable financial system. The present slow and piecemeal approach is not enough to prevent a next crisis.

We also observed that when there is a crisis, there is no time for concerns and new bodies like the G20 are set up quickly. It is high time to set up a consistent system that would have to also involve and respect regional initiatives. The BRICS Bank, the new Asian Infrastructure Investment Bank and other regional bodies are emerging as a reaction to the existing uneven governance situation. Do we have to wait for another crisis to set up an orderly governance structure?

We urge governments to overcome their business as usual and use the unique opportunity on the way to Addis.