

# **Joint Civil Society Statement**

***Make Finance Work for People and the Planet***

(signatories are annexed)

## **Disclaimer**

Articles posted on the website are made available by the UNCTAD secretariat in the form and language in which they were received and are the sole responsibility of their authors. The views reflected in the articles do not necessarily reflect the views of the United Nations or UNCTAD.

## Make Finance Work for People and the Planet

### A civil society statement to the 2013 Group of 20 Summit

Today we have an economy more dominated by finance than ever. Yet, a recent McKinsey report shows that only one fourth of the financial depth gained in the 12 years before the crisis was used to finance the real economy and households. As the dominance of finance has grown, the share of investment into the real economy decreased. After the crisis broke out, the bailing out of banks, stimulus programmes to cushion the effects of the crash and other damages of the crisis imposed a burden to people, state budgets and real economy of more than USD 3 trillion. Millions of people have been pushed into unemployment and poverty, in both developing and developed countries. The dominance of finance over real economy and society must end. A real historic turn, a new economic paradigm is required. It is not enough to make the casino safer, but - as UNCTAD put it: "Nothing short of closing down the big casino will provide a lasting solution."

The summits in London and Pittsburgh (2009) had raised hopes for substantial reforms to better regulate the financial markets. However, momentum is rapidly being lost. The regulations put in place so far would not suffice to prevent another speculation-induced collapse of the financial system. In the light of this disappointing balance civil society is demanding a re-launch of the initial reform spirit. **A decisive element of such a re-launch would be a strong participation of civil society at all levels.**

The undersigned address the following demands to the 2013 Summit:

The size of the financial sector as a whole should be smaller and its negative impacts on economy and society should be reduced. The G20 should ensure that no financial institution is too big to fail. Therefore, *Systemically Important Financial Institutions* (SIFIs) should be downsized and simplified. The G20 should expedite the development of practical plans for winding them down. A first step would be the separation between investment and commercial banking. A resolution fund, financed by the financial industry, should be established in each country to cover losses that cannot be absorbed by shareholders, subsidiary to creditors being bailed in.

The Basel Agreement on capital requirements should emphasize the leverage ratio and risk-weighted capital buffers should complement it. The leverage ratio and all risk-weighted capital requirements ratios, as well as the additional ratios for SIFIs, should be increased. Full implementation should be brought forward to 2015.

All derivatives must be traded in public exchanges and centrally cleared, in addition to being reported to trade registers. Particularly risky products such as *Credit Default Swaps*, and dangerous speculative practices like *Naked Short Selling* should be banned. Central clearing houses should have adequate capital buffers and require collateral for each transaction. In order to prevent food and fuel price volatility, regulators should set ex-ante position limits (total number and value of contracts for a given commodity). Deposit-insured financial institutions should not be allowed to carry derivatives operations.

The global community would greatly benefit from the stabilizing effects and revenues of a Financial Transaction Tax introduced by all IMF member states, such as the one currently being implemented by 11 European countries.

All actors on financial markets should be subject to supervision. Shadow banking should end. In the meantime, shadow banking entities with annual turnover of over USD 100 million should be treated as commercial banks. Innovative products must go through a clearance procedure to ascertain that they are consumer friendly and not harmful to the stability of the system.

Governments should hasten moves towards limiting regulatory reliance on credit rating agencies and reform legal regimes to ensure that the agencies are liable for negligent behavior. They should implement alternatives to the "issuer-pays" model, including by ensuring that there are competing public agencies with independent rating processes. In the

long run the agencies must incorporate social and environmental criteria as a way to rate the usefulness of a client's activity.

Governments must enhance corporate transparency by demanding that companies in all sectors publish payments to governments on a project-by-project and country-by-country basis, as well as revenues and key organizational data on a country-by-country basis. Mandatory national registers must require disclosure of all types of ownership and creditor/debtor relations. Information should be shared with relevant investigative and judicial authorities, domestically and internationally.

All countries must join the "*Global Forum on Transparency and Exchange of Information*" and the "*Multilateral Convention on Tax Information Exchange*," leading to general agreement to automatic exchange of tax-related information. To facilitate recovery of misappropriated assets held in financial institutions in G20 countries, all countries must implement the recommendations in the Stolen Asset Recovery Initiative (StAR) and publish guides on their respective legal processes.

Amendments to the IMF's quota formula must give adequate voice to borrowing countries, especially the poorer ones, by adopting and applying a more balanced approach to "demand" and "supply" variables. It should also provide greater weight to Purchasing Power Parity and the size of populations of member countries and should introduce a "double voting system", i.e. decisions must carry the requisite support according to both the quota distribution and the number of countries supporting the decision.

IMF financing conditions and policy advice should rely less on austerity and more effectively support employment and sustainable development policies in order to overcome deficits. An institutional firewall must be erected between its advisory services and its various financing windows.

The governance of the Financial Stability Board must be democratized before its remit is expanded.

The process of selecting leaders of all global financial institutions must be transparent, merit-based, and reflective of the composition of membership.

The G20 should agree on a credible system for coordination among deficit and surplus countries and a transition path towards a revamped system with Special Drawing Rights as the cornerstone which helps to make full use of its potential to finance development and climate change. Diverse and regionally-adapted mechanisms for exchange rate management and the provision of liquidity should be central aspects of such system.

The G20 should acknowledge the need for sovereign debt workout mechanisms as a global public good and commit to a global dialogue and an international debt work out framework. The commitment should extend to essential features common to any orderly insolvency regime in adherence to rule of law: 1) One single "insolvency" process that involves all creditors, 2) Impartiality in decision-making over terms and conditions of a restructuring, 3) Impartial assessment of individual claims' validity, of the sovereign's sustainable debt level and hence eventually necessary debt relief.

To guide the process, a G20 working group should be instituted and take stock of existing reform proposals that have been produced by the UN system, the International Financial Institutions, academia and civil society, propose a global dialogue, define targets to be reached and agree on a timeframe to phase in introduction.

Finally, we have two concerns about the 'financing for investment in infrastructure' process. First, there should not be a presumption in favor of public-private partnerships (PPPs), but rather a "value for money" calculation between different modalities of financing and operating infrastructure. Second, the analysis of the initiative which is available publicly includes almost no consideration of environmental and social dimensions of infrastructure operations and how these dimensions relate to financial and economic feasibility and implementation.

Signatories:

Abibimman Foundation and GCAP	(Ghana)
Action Aid International	
Action from Ireland (Afri)	(Ireland)
ADEPTTs	(Czech Republic)
Advocates and Trainers for Children Women's Advancements and Rights (ATCWAR)	(Ghana)
AFASDA (Association Femmes Soleil d'Haiti)	(Haiti)
Africa Development Interchange Network (ADIN)	
Arab NGO Network for Development	
Asia Development Alliance (ADA)	
ATTAC	(Finland)
BankTrack	
Bahrain Transparency Society	
Bread for the World	(Germany)
CAFOD	(UK)
Center for the Development of Civil Society	(Armenia)
Center of Concern	(USA)
Citizen's Coalition for Economic Justice (CCEJ)	(South Korea)
Comision Nacional de Enlace	(Costa Rica)
Comité 1968 por las Libertades Democráticas	(Mexico)
Conciencia Libertaria	(Mexico)
Congregation of Our Lady of Charity of the Good Shepherd	(USA)
Congregation of Our Lady of Mount Carmel/CARMELITE NGO	(USA)
Cooperation for Peace and Development (CPD)	(Afghanistan)
Coordinación de ONG y Cooperativas	(Guatemala)
Council for NGOs in Malawi (CONGOMA)	(Malawi)
Daughters of Charity of St. Vincent de Paul	(USA)
Development Alternatives with Women for a New Era –DAWN network	
Development Network of Indigenous Voluntary Associations (DENIVA)	(Uganda)
ECA Watch Austria	(Austria)
Ecuador Decide	(Ecuador)
EDUCON	(Czech Republic)
Erlassjahr	(Germany)
Europe External Policy Advisors (EEPA)	
Eurostep	(Belgium)
Fastenopfer/Action de Carême	(Switzerland)
FEMNET	(Mali)
FIAN International	(Mexico)
FOCSIV	(Italy)
Franciscan Action Network	(USA)
Friends of the Earth Europe	
Friends of the Earth	(USA)
Global Foundation for Democracy and Development	(USA and Dominican Republic)
Heinrich Boell Foundation	
HELIO International	
INFID	(Indonesia)
Institute for Agriculture and Trade Policy -IATP	(USA)

Institute for Development Policy Research (IDPR)	
Institute for Policy Studies, Global Economy Project	(USA)
Instituto del Tercer Mundo –ITEM	(Uruguay)
International Cooperation for Development and Solidarity Network (CIDSE)	
International Movement For Fraternal Union Among Races And Peoples (UFER)	(Belgium)
International Presentation Association of the Sisters of the Presentation	
Jubilee Debt Campaign	(UK)
Jubilee Oregon	(USA)
Jubilee USA	(USA)
Kenya Debt Relief Network (KENDREN)	
KOO- Coordination Office of the Austrian Bishop's Conference on Development and Mission	
KULU-Women and Development	(Denmark)
Latin American Gender and Trade Network	
Latin American Network on Debt, Development and Rights (LATINDADD)	
LDC Watch	
Leadership Team of the Sisters of the Presentation	
L'Espace Associatif	(Morocco)
Maderas del Pueblo del Sureste, AC	( México)
Marianists International	
Maryland United for Peace and Justice	(USA)
Missionary Oblates	(USA)
Mwelekeo waNGO (MWENGO)	(Zimbabwe)
New Rules for Global Finance	
Oikos – Cooperação e Desenvolvimento	(Portugal)
Organic Agriculture Association	(Albania)
Passionists International	(USA)
Pax Christi International	
Pax Christi USA	(USA)
Planning Alternatives for Change LLC	
Presentation Justice Network	(Ireland)
Presentation Sisters of Staten Island, NY	(USA)
Red Mexicana de Acción Frente al Libre Comercio -RMALC	
Religious of the Sacred Heart of Mary NGO	(USA)
RUMPUN	(Indonesia)
Rural Area Development Programme (RADP)	(Nepal)
Salesian Missions, Inc	
SF Bay Area Jubilee Debt Cancellation Coalition	(USA)
Sisters of Charity Federation	(USA)
Sisters of the Holy Cross Congregation Justice Committee	(USA)
Sisters of the Presentation of the BVM	
Social Agenda Working Group (Social Watch, Thailand)	(Thailand)
Social Justice in Global Development	
Social Justice Ireland	(Ireland)
Social Watch Initiative Nigeria	
Social Watch, Nigeria/Socio Economic Rights Initiative	(Nigeria)
Society of Catholic Medical Missionaries	(USA)
Somalia Social Watch	(Somalia)
Southern and Eastern African Trade Information and Negotiation Institute -SEATINI	

Stamp Out Poverty	(UK)
Stiftung Nord-Süd-Brücken	(Germany)
The Finnish NGDO Platform to the EU	(Finland)
The Presentation Congregation of Lismore NSW	(Australia)
Third World Network Africa	
UBUNTU - World Forum of Civil Society Networks	
United Methodist General Board of Church and Society	(USA)
Unnyan Shamanny	(Bangladesh)
Voluntary Action Network India (VANI), India	
World Democratic Governance project association, WDGpa	(Spain)
World Development Movement	
World Economy, Ecology & Development Assoc.	(Germany)
Worldview Mission	(Netherlands)