

Talking Points of the NGO Committee on Financing for Development in the Review Session on Chapter F of the Monterrey Consensus

“Addressing Systemic Issues”

The current financial crisis shows that the systemic problems of the financial system have not been solved. Cross-border financing requires stronger cross-border supervisory and regulatory efforts. There needs to be greater global cooperation among supervisors and regulators in existing fora and institutions, but eventually also setting up inclusive and comprehensive fora that can provide an effective public sector counterpart to what is now a private international financial sector, spot early problems and call for regulatory reform on emerging areas of risk. New actors, highly leveraged and nontransparent, such as hedge funds, are a threat to financial stability, and thus to employment and social policies. Appropriate regulations should be implemented to preserve long term and employment-friendly business activities from such short-termist financial behavior.

Little progress can also be seen in the Monterrey Consensus call for increasing participation by developing countries in economic policy-making institutions, especially the *Bretton Woods Institutions* (BWI). The discussions so far on the IMF quota formula fall short of the significant revamping of variables required to achieve the political goals promoted in Monterrey. Moreover, they threaten to marginalize even further low-income countries which have become the main users of the IMF. The ongoing governance reform process should ensure a review of the quota formula that removes elements that systematically underestimate the size of developing country economies. The Board should be restructured so as to increase the number of developing country Board seats. The constituencies represented by each Executive Director should be reshaped, with a ceiling of no more than 10 countries per constituency being established. In the short term, the practice of noting dissenting votes in the constituency should be formalized and institutionalized as a standard practice. The use of double-majority voting modalities should be given serious consideration as a tool to increase the weight of borrowing countries in decision-making within the BWIs.

The *United Nations Committee on International Cooperation on Tax Matters* should be strengthened and converted into an intergovernmental entity. The agenda of the UN Tax Committee should include measures to combat capital flight and tax evasion in developing countries, and also measures to assist developing countries to improve their tax administration. In the long run, a World Tax Organization (proposal made in 2001 by an UN panel chaired by “Zedillo”) should be established for deepening international dialog among national tax authorities and enhancing the coherence of activities of multilateral and regional organizations.

As proposed in the Monterrey Consensus, para 60, and reaffirmed in the 2005 Summit Outcome Document, multistakeholder consultations on an international *debt workout mechanism* to promote fair burden-sharing in sovereign debt crises and minimize moral hazard should be revived in the Doha follow-up process.

In addition, a “*Global Leaders Forum*” with balanced geographical representation under the auspices of the UN should be established to upgrade policy coordination to enhance coherence and consistency of international monetary, financial and trading systems (proposed by UN panel on System-wide Coherence).

The follow-up process has proved weak and not faithful to the Monterrey Consensus commitment. There is a need to strengthen the intergovernmental counterpart to the Secretariat by establishing a General Assembly intergovernmental “*Committee on Financing for Development*”. In addition, the follow up needs to set up in place decision-making instances at the Ministerial level that on a regular and ongoing basis meet to evaluate continued implementation of the Monterrey Consensus.

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