

**Can sustainable development for all be achieved with a mere market based approach?
Do financial markets need strong regulation in order to serve the economy and
development for all?**

This paper seeks to draw the attention of the stakeholders involved in the negotiations of this Conference to policies proposed for the financial system in the preparatory documents and debates. Our main questions are:

In the context of discussions on Financing and Development, the private sector is considered by many UN member states as providing the financial means for implementing development policies, in particular the sustainable development goals (SDG) in September 2015, as well as for commitments that will be entered into during the Addis Ababa Conference on Financing and Development in July 2015.

If the public interest and development strategies are to be defended and preserved, it is vital that **financing is not left to the private sector alone** and that a strong regulatory framework is set up for the banks, investment funds and other financial actors so they do not develop further useless and risky speculative activities rather than serve the general interest by financing the real economy. Indeed, **instead of adapting development finance to today's financial mechanisms, it is urgent that we put finance at the service of public interest.**

Most of the CSOs that monitor the FfD process acknowledge the contribution that the private sector can make to development financing, but they also draw attention to the fact that this contribution must be clearly and closely regulated so that it respects all facets of development, such as human rights, fiscal justice, etc. The underlying reason for this is the fact that the motive of the private sector is mainly profit-seeking, and does not seek to contribute to development among the poorest peoples nor the most fragile regions if it is not profitable to do so.

We analysed the Elements Paper for the FfD Conference and propose that *some points deserve to be seriously amended while others are worthy of strong support.* But first we saw that major challenges are not mentioned and think that they should be addressed:

- Post-crisis reforms have failed to end « too big to fail » leaving the presence of institutions whose relative size will not allow failure to be contained without risk to the economy and vital banking services;
- Special Purpose Entities (SPEs) in the shadow banking system, even with the post-2008 reforms, leave the financial system at risk of renewed collapse. They are furthermore being abused for tax avoidance purposes;
- Separation between investment and commercial banking went half-way and has too many loopholes to be effective and prevent speculation by financial firms that have access to the public safety net;
- Rules to regulate derivatives markets have been insufficient to stop fuel and food speculation, and the problem is spreading to other commodities;
- Establishing mechanisms to bring greater stability to exchange rates of reserve and trading currencies and realize potential of monetary system for financing development prevent competitive devaluations and currency wars.

Following is a specific list of considerations that deserve to be revised or supported in future negotiations (the drafting sessions) on the final declaration of the Addis Ababa Conference:

Policy proposal (as in Element Paper)	Recommendation	Explanation
Domestic and international Private Finance		
Develop innovative debt funding structures as well as promoting securitization, ...	DELETE	Securitization was at the heart of the 2008 crisis in developed economies which were unable to deal with it. Re-introducing securitization in developing countries would be detrimental.
Encourage public/private initiatives to create development-oriented venture capital funds	DELETE	
Unify and strengthen various initiatives on responsible financing, identify gaps, and strengthen the mechanisms and incentives for compliance	KEEP	
Promote capital markets regulation that integrates sustainable development factors	KEEP	
Include environment, social and governance (ESG) criteria and issues of long-term investing in financial industry qualifying exams and licences	KEEP	
Partner with private sector groups to support the growth of new asset classes in infrastructure and sustainable investment.	DELETE	Privatization of infrastructure lead to transfer of risks to consumers and taxpayers, with unpredictable consequences and erosion of link between citizens and state for infrastructure investment
Revisit safeguards and other measures to ensure infrastructure projects take account of their sustainable development and human rights impact, while not being overly burdensome	AMEND "revisit" to "strengthen" and DELETE "while not being overly burdensome"	This proposal seems to suggest that projects are allowed to undermine sustainable development and violate human rights if it is "overly burdensome" to ensure that they do not
Develop and adopting principles and standardized documentation for PPPs, which include transparency, accountability, equity, fairness, sustainability	AMEND by adding ", thorough cost benefit analysis comparing to public works, best value for money and a strong monitoring and evaluation"	Very important to ensure that PPPs as well as other private sector approaches such as blending and leveraging does not cause harm.
Develop a set of standards for when use of PPPs is strategic and appropriate	KEEP AMEND by adding: thereby excluding basic social services like health and education from the use of PPPs.	PPP's costs can be high for public finance. Experiences show that 1/3 of PPPs fail in developed countries and more in developing countries.

Develop standardized blended finance toolkits in local languages and related support workshops for both government officials and the private sector.	DELETE	Strong safeguards are more essential than toolkits.
Ensure effective regulatory and safeguard policies for PPPs that ensure the human rights of people, including women's rights, as well as environmental protection and sustainability	ADD	
C. International Public Finance		
HIGH PRIORITY! Promote the use of international public finance to leverage other sources of financing, including public, private and innovative sources of financing	DELETE	Instead of addressing the problems and concerns relating to "leveraging", this proposal suggests blindly promoting the practice
Encourage countries to implement the International Solidarity Levy on Air Tickets; explore options for a financial transaction tax in additional countries; for a carbon tax, for taxing fuels used in international aviation and maritime activities; for implementing additional tobacco taxes.	REPLACE WITH: Implement a levy on financial transactions carried out by finance firms and use the revenue to finance sustainable development	
D. Trade		
Safeguard the right to regulate on health, environment, safety, financial stability, etc	KEEP	
HIGH PRIORITY! Undertake a comprehensive international review of existing investment agreements	KEEP	
Guarantee transparency in arbitration and publication of arbitral awards	KEEP	
G. Systemic issues		
HIGH PRIORITY! Remove obstacles to capital account management and regulations, including in trade and investment agreements	KEEP	
Enhance regulation and supervision of under-regulated financial markets and institutions such as shadow banking and 'too-big-too-fail' institutions	KEEP	
More quickly limit financial regulatory reliance on credit rating agency assessments; fostering increased competition in the credit rating sector	KEEP	
Initiate a process to establish a Global Economic Coordination Council at the UN	ADD	A Global Economic Coordination Council is needed to ensure truly global cooperation at the highest level and in accountable way for long-lasting solutions to the crisis in the global financial system

Enhance developing country participation in Financial Stability Board decision making	KEEP	
Monitor and publish detailed data on FDI, portfolio flows, bank lending by country of origin and destination, sector as well as the flows through special purpose entities	ADD	
F. Strengthen the intergovernmental follow-up process		
Establish an intergovernmental process or an FfD Commission with standing working groups to periodically review implementation of the Addis, Doha and Monterrey outcomes and consider the need for more far-reaching decisions and measures	ADD	
Ensure complementarity and integration of the FfD follow-up mechanisms with other related processes, in particular the High-Level Political Forum on Sustainable Development and the Development Cooperation Forum, within a coherent and streamlined system	KEEP	

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