

Multi-Stakeholder Consultations on Systemic Issues organized by the New Rules for Global Finance Coalition in cooperation with the Financing for Development Office

Preliminary Agenda

This set of multi-stakeholder consultations are part of the follow-up process to the United Nations International Conference on Financing for Development, which was held in Monterrey, Mexico in March, 2002. This series relates to [section F of the Monterrey Consensus](#) (“Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development”) and is envisioned to provide an important input to the High-level dialogue on Financing for Development in 2005.

This proposed agenda is for four, possibly five, multi-stakeholder meetings of experts. Each meeting is expected to last for a day and a half, and will consist of 5 or 6 sessions, as appropriate. Throughout the series of meetings, all the topics listed below will be considered, but several topics will be discussed in more than one meeting. This arrangement will contribute to identifying points of agreement and disagreement on policy recommendations that will be presented as a product of these consultative meetings.

The locations and dates for the meetings are tentatively scheduled as follows.

- I. Washington, D.C. – November 16-17, 2004
- II. Lima, Peru –February 2005
- III. Nairobi, Kenya – March 2005
- IV. (prospective) Asia – March 2005
- V. New York, NY – May 2005

The purpose of these consultations is to identify reforms that will promote financing for development, systemic stability, poverty reduction and income equality. Some of the overriding problems to be addressed are capital drought, boom-bust cycles of international capital flows, continued debt accumulation and exposure to foreign exchange, interest rate and commodity price risk. The multifaceted nature of these problems means that they cannot be confined to a particular session, and so they are likely to arise in many sessions.

Session 1. Introduction and Background

Each meeting will open with an introductory session to explain the relationship of the consultations to the Monterrey Consensus and its innovative follow-up processes. The subsequent sessions (Sessions 2-6) cover the following three broad categories: a) The impact of the current official reform agenda on the International Financial Architecture; b) Alternative policy proposals; c) Governance and institutional matters.

After the first consultation, each subsequent meeting will include a brief “recap” of the prior consultations in order to ensure continuity.

Session 2: Evaluating the Official Reform Agenda for the International Financial Architecture (IFA)

This Session reviews and evaluates key official actions to reform IFA.

- 1) Standards and Codes for macroeconomic policy and financial sector regulation in capital recipient countries.
 - i) Effectiveness of financial standards in reducing and managing risk exposure
 - ii) Efficiency of standards on monetary, fiscal and financial transparency in improving access to financial markets and improve efficiency and sophistication of domestic financial markets
 - iii) Effects of financial standards in facilitating implementation of government regulation of financial sector
 - iv) Transition problems –the effort to establish standards and codes from the top-down will likely cause sequencing or other intermediate-term problem.
- 2) Actions related to sovereign debt: Sovereign Debt Restructuring Mechanisms, Collective Action Clauses, Codes of Conduct
- 3) Trade in Financial Services: General Agreement on Trade in Services
- 4) Ad Hoc Group of Experts on International Cooperation on Tax Matters

Session 3. Mechanisms for Crisis Prevention

Crisis prevention can be more cost effective than resolving crises. Proposals include:

- 1) Strengthening global regulation of capital flows and capital markets
- 2) Improving the prudential regulation of financial markets, especially derivatives markets, hedge funds and other highly leveraged institutions.
- 3) Surveillance mechanisms for international financial markets
- 4) International debt standstills, arbitration and workout procedures
- 5) Coordination of macroeconomic policies among major currency nations
- 6) Implications for Official Finance, given the nature of vulnerabilities in developing countries

Session 4. Provisions of Credit in Times of Crisis

This Session assesses the merits of policy tools for providing credit to countries after a crisis strikes. Some of these proposals could also serve as crisis prevention mechanisms.

- 1) Assessment of lender of last resort proposals, and whether international financial institutions (IFIs) have adequate resources
- 2) Compensatory financing facilities and other emergency credit facilities
- 3) Precautionary credit lines
- 4) Prospective sources for new financial resources (Special Drawing Rights, global taxes, etc.)
- 5) Regional arrangements such as the Asian monetary cooperation and swap agreements

Session 5. Management of Capital Flows and Risk Exposure

The highly fluid global financial system invites examination of new tools to reduce harmful systemic volatility.

- 1) Capital controls in all their variations
- 2) Commodity bonds, growth-linked bonds and other structured financial arrangements
- 3) Regulation of financial institutions, risk management and protection against risk
 - i) Capital requirements, collateral requirements and other measures designed to govern growth of foreign exchange risk, liquidity risk, interest rate risk and commodity price risk
 - ii) Policy options to avoid exposure (e.g. use of local currency securities and banking activities)
- 4) Counter-cyclical policy
- 5) Programs to actively manage allocation of financial resources, especially with regards to small and medium enterprises

Session 6: Institutional Matters: Are The Right Issues On The Agenda?

Institutional effectiveness is closely linked to institutional legitimacy. Existing political institutional arrangements for regulating the global economy range from decentralized nation-states to exclusive ad hoc bodies of self-selected governments.

- 1) What alternative structures and modes of representation are viable?
- 2) Representation of Developing Countries in international financial institutions and governing bodies such as the International Organization for Governmental Securities Commissions (IOSCO), Financial Stability Forum (FSF), Bank for International Settlements (BIS)
- 3) Effective institutional arrangements to set, implement, monitor, evaluate policy
 - i) The values to be maximized in any new arrangements should include: accountability, representation/participation, transparency, and effectiveness.