Third Preparatory Committee (PrepCom) for the Fourth International Conference on Financing for Development (FfD4), NY, 10-14 February, 2025

February 13, 2025

Roos Saalbrink, Action Aid International on behalf of the CS FfD Mechanism Intervention Systemic Issues segment

Thank you chair, I speak on behalf of the Civil Society Financing for Development Mechanism and ActionAid International. We have provided critical written comments, so I will highlight 4 points here.

Firstly, on the global financial safety net we welcome the acknowledgment that "there has been a rapid accumulation of international reserves" by developing countries "to cushion volatility and that this contributes to resource transfers to developed countries".

The Monterrey Consensus aimed to address the global South's lack of control over their national currencies, and thus economic stability/security. A combo of deregulated cross-border capital flows, international currency hierarchy and unregulated transnational financial actors, plus higher borrowing costs under the continued influence of biased and adverse sovereign ratings make for an uneven playing field for global south countries, with flexible exchange rate regimes, accumulation of large stocks of international reserves or borrowing in local currency not adequately buffering Global South countries against severe external shocks.. FfD4 should undertake decisive actions in monetary and financial cooperation and regulation to address this.

Secondly, it is distressing that the systemic issues section – one of the most innovative and critical dimensions of the Monterrey Consensus – reduces global economic governance to the BWIs. States need to take the FfD process as an opportunity to reaffirm the role of the United Nations in Global Economic Governance, ensuring coherent and democratic reforms to the international financial architecture with universal and inclusive participation at the UN that is not possible within the BWIs, as pointed out by Cuba, the IMF is part of the problem. And lack of significant reform a frustration for developing countries as mentioned by Brazil.
Therefore, in this important paragraph 54 we urge the removal 'with the IMF at its centre', so it reads "The global financial safety net, a multilayered arrangement for responding to crises has both gaps in its architecture and uneven coverage" adding "with very limited resources available, often at high cost, to developing countries." There is a lack of international reserves needed to respond to balance-of-payments shock.

In addition to stating that "With increasing systemic risks and growing frequency and intensity of crises, including those related to climate change, many countries will need external support to manage volatility and shocks." We would like to see an acknowledgement that "Global imbalances in reserves and assets played a significant role in the financial crisis of 2007-8, and addressing these imbalances requires international cooperation to ensure international financial stability."

In addition to expanding "the global financial safety net, expand its coverage and be more reliable", it should stress "reforms to the global reserve system, in order to allow countries to pursue their right to development".

Thirdly, the acknowledgement of the key role for Special drawing rights through the 2021 issuance is important. It is key in paragraph d to add that rechanneling should be 'without generating more debt and without conditionalities, in alignment with the characteristics of the SDR as a global reserve asset.' As well as removing reference to decision-making about SDRs through the IMF executive Board, - which is not representative of global south countries and perpetuates the interests of a small group of countries. Any issuance should be decoupled from the IMF quota system, which creates very skewed distribution, as seen in 2021.

We welcome language on an SDR playbook, but we suggest replacing paragraph e. to center the role of the UN in decisions about an efficient reserve system. Including the establishment of an intergovernmental working group under the ECOSOC to identify a set of reforms that can facilitate a more efficient reserve system, including the function of Special Drawing Rights.
And creating a new playbook for SDRs through this working group - to establish new rules that facilitate their issuance, their widespread use and their channeling to countries that need them most, including through multilateral development banks. And a shift in the Balance of Payments Manual (BoP) rules."

For paragraph b, we call to replace it with " definitive action to eliminate IMF surcharges."

Lastly, on Public payment systems. We reject mandates to the Financial Stability Board, given its exclusive representation and extensive conflicts of interest. We further demand a reform of the B.I.S. to ensure adequate representation of developing countries. Therefore in paragraph 57a we propose a commitment "to dedicating special sessions of ECOSOC, in collaboration with the BIS to explore how to create central bank digital currencies that harness the benefits of digital technologies, increase efficiency of cross-border payments, and address potential macroeconomic risks."

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We propose the addition in 57 bis to "recognise the importance of developing bilateral and plurilateral payments initiatives for settling international economic obligations and managing foreign exchange transactions. We commit to explore options to increase the use of national currencies to settle such obligations, complemented by improvements in cross-border payments, clearing, and settlement systems."
FFD4 must usher in systemic shifts in global economic system that places disproportionate burdens on the bodies, work and lives of women, girls, and gender and race-diverse peoples. The zero draft must raise the ambitions of FFD4 reversing historical inequalities and legacies of

colonialism, that have imposed disproportionate burdens on countries in the Global South, undermining their right to development and ability to meet the economic and social rights obligations towards their people.

Thank you