

## Finance – Civil20

### Civil Society Recommendations to the G20

The global financial system is neither resilient nor sustainable. Significant risks and regulatory gaps remain so that citizens are vulnerable to new financial crises, abusive practices such as tax dodging, and new technological challenges. The financial sector must serve the needs of the people and the planet but the G20 still promotes a financial system and monetary policies that create financial instability, social and environmental havoc, inequality, excessive debt and climate change.

#### Financial Regulation and Architecture

Only some of the financial reforms promised by the G20 have been delivered. Furthermore, the resilience of the financial system is put at risk by current policies and attempts to roll back important financial reforms. Quantitative easing needs to be reviewed. Citizens expect to be protected by strong financial regulatory and enforcement authorities that cooperate internationally.

#### C20 Recommendations:

- **Strengthen macro-economic and prudential oversight and regulation:** Identify and address all sources of systemic risk (e.g., excessive credit or loan expansion in the private or public sector) and promote long term finance.
- **Implement the G20 agreed reforms strictly** through trustworthy capital requirements and leverage ratios, reforms to address “too big to fail”, regulation of shadow banking as well as excessive speculative activities or actors, instead of further uncontrolled expansion and deepening of capital markets through securitization and derivatives.
- **Promote a more diverse banking system** that is adapted to the needs of all citizens, especially the most vulnerable, to small businesses and to environmental and socially friendly activities. This includes proportionate regulation and incentives for alternative financial institutions such as cooperatives, municipal savings and ethical banks.
- **Encourage capital controls** to prevent excessive speculation (e.g., against currencies) and financial instability. The OECD Code of Liberalisation of Capital Movements and capital flow clauses in free trade and investment agreements are not appropriate. Complementary are international Financial Transactions Tax and better coordination of G20 monetary policies in foreign exchange markets.

#### Debt

As a result of interest rate differentials between north and south, capital flows into poorer countries soared in the post-crisis years. At present, 116 countries have one or more external debt indicators in a critical range (increased by 38 % compared to 2 years ago), with a trend of further deterioration in all regions. No comprehensive and efficient mechanism is available to deal with these new crises. Instruments like Collective Action Clauses and GDP-linked bonds are useful but not a substitute for a rule-of-law based mechanism.

#### C20 Recommendations:

- **Encourage all relevant fora to work on devising orderly and comprehensive sovereign debt restructuring processes**, including the IMF and the UN system.
- **Prepare enhanced mechanisms for debt relief for the most vulnerable countries** as a quick response to economic and natural emergencies.

- **Agree on debt sustainability principles** based on the UN General Assembly basic principles on sovereign debt restructuring processes.

## Socially and Environmentally Sustainable Finance

The health and productive capacity of people and planet are essential for a sustainable economy. Action and regulations must align financial systems with the 2030 Agenda in order to strengthen these, deliver the SDGs and the climate commitments, and add at least US\$12trn a year to global GDP.

### C20 Recommendations:

- **Make sustainable finance a core focus of the G20 finance track**, including by upgrading the study group on green finance (GFSG) to a permanent working group, and drawing on the full range of experience by civil society worldwide.
- **Require mandatory disclosure on sustainability risks and opportunities** for both private and public actors.
- **Ensure compatibility with the 2030 Agenda and the Paris Agreement** by developing regulation and accountability measures for financing and investments.
- **Price in environmental externalities** by committing, each country in its own way, to a strong effective carbon price by 2020.

## Tax, Anti-Money Laundering and Corruption

Many billions are lost to illicit financial flows each year. Tax evasion and avoidance by multinational corporations and the rich, the race to the bottom through tax competition, and financial secrecy as revealed in the Panama Papers deprive countries of crucial revenue. National tax systems and global cooperation on tax matters need reform.

### C20 Recommendations:

- **Support the establishment of a UN intergovernmental tax body** to achieve an unbiased, democratic and inclusive venue for shaping international norms of taxation and promoting international tax cooperation.
- **Require multinational companies to publicly disclose Country-by-Country Reporting** information which also is a cost-effective and efficient process for countries to have timely access.
- **Establish public registries of beneficial ownership** of companies, foundations, trusts and other legal entities.
- **Provide automatic exchange of information to developing countries on a temporary, non-reciprocal basis** so they can benefit from the information before bearing the costs of compliance.
- **Complete the work of the BEPS project** on profit attribution – including for the digital economy – by establishing clear rules allocating profit to where real economic activities take place.
- **Implement effective oversight of professional enablers** of illicit financial flows.
- **Publish a comprehensive list of tax havens**, based on transparency and effective minimum tax rates.

Civil20 is the G20 engagement group of the international civil society. It represents organisations and individuals from all continents, giving civil society a loud voice in the G20. Find out more at [www.civil-20.org](http://www.civil-20.org).