

## Partnership for financial stability and investment

An initiative of *Bread for all*, the Development Service of the Protestant Churches in Switzerland

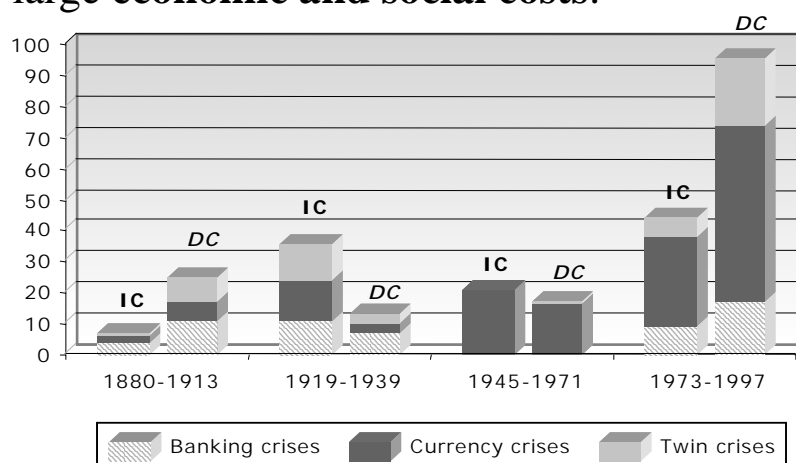
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## Financial crises are detrimental to development efforts

- Recent financial crises have affected poor countries more, with large **economic and social costs**:



*Financial crises in Developing Countries (DC) and Industrialised Countries (IC)*

- Correlation between **financial liberalisation** and crises

## Why be concerned by financial volatility?

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- It is necessary to support **productive investments** (FDI) as opposed to volatile capital flows
- Financial volatility: **currencies** are the most traded “commodities” world-wide:
  - Transactions on currency markets: US\$ 700 billion / day
  - World trade: US\$ 17 billion / day (2001)
- Need for **coherence** between trade and financial policies

## Stabilising global finance?

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- Financial crises have **systemic causes**, i.e. they are rooted in the design of the global financial system and in the herding behaviour of investors
- Mitigating the impact of financial crises is not enough, more efforts need to be done for **crises prevention**
- A **Currency Transaction Tax** (CTT) might help to stabilise capital flows
- Developing countries need to be given more policy autonomy for **controlling capital flows**

## Involving the private financial sector

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- **Domestic economic and financial players** are negatively affected by financial crises
- Currency volatility increases the **risk of cross-border investments**
- Collectively, the private sector has a long-term interest in the **stability of developing countries**
- **Corporate responsibility** of the financial sector for the development of emerging markets

## A dialogue on financial stability

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- A “**Financial Stability Partnership**” could be launched between international organisations, civil society and the financial sector
- Aim: research and **multi-stakeholder dialogue** to raise awareness and generate debate about **reforming the international financial system** to calm financial volatility
- In particular, the dialogue should involve financial institutions **from the South**