Permanent Mission of Uruguay

GRAND DUCHY OF LUXEMBOURG
Permanent Mission to
the United Nations

Concept Note

September 24, 2018 Side Event in the context of the
Secretary General's High-Level Meeting on Financing the 2030 Agenda

"Achieving the Sustainable Development Goals through Stakeholder Engagement and a More Sustainable Financial Sector"

This program is organized by the Friedrich-Ebert-Stiftung New York office in partnership with UNI Global Union and the American Federation of Labor/Congress of Industrial Organizations (AFL-CIO). The organizers gratefully appreciate sponsorship of the program by the Permanent Mission of Luxembourg to the UN and the Permanent Mission of Uruguay to the UN.

Concept Note

Longstanding measures of economic success have begun a historic shift as "business as usual" economics continues to produce market failures and undesirable social outcomes. The shift has been hastened by the United Nations' call to achieve the set of comprehensive Sustainable Development Goals (SDGs) by 2030. There is growing recognition that at present, conventional regulation and management in the financial sector continues to produce negative impacts that are at odds with the SDGs. Financialization, or the massive growth in size, power and importance of financial products and actors, has exacerbated economic inequality and increased systemic risks to the global economy. To create real potential for the UN's 2030 Agenda, the financial sector and its largest institutions must be brought back into service of the real, productive economy.

Achievement of the SDGs depends on this shift in the trajectory of the financial system. The internal governance and practices of financial institutions directly touch many specific goals of the 2030 Agenda. For example, the financial sector is at the epicenter of growing concentration of income at the top of the distribution; to lower inequality within and among countries, this trend must be reversed and the regulation and monitoring of global financial markets and institutions must still be strengthened. (Goal 10).

Decent work or full and productive employment (Goal 8) is secured through the protection of labor rights and ensuring safe and secure working environments. Decent work depends on stable markets and robust economies, which in turn depend on strengthening domestic financial institutions' capacity to encourage and expand access to banking, insurance, and financial services for all. Building effective, accountable, and inclusive institutions at all levels (Goal 16) depends on financial institutions' transparency and behavior. Banks must end harmful behaviors like regulatory capture, regulatory arbitrage, and rent-seeking in public finance (Goal 16). Even the goal for health (Goal 3) envisions the achievement of universal health coverage as including protection from financial risk.

Financial institutions are key decision makers in the allocation of resources. They wield disproportionate influence over determining which projects will receive the capital needed to finance their start up and operations. The financial system's trajectory will determine whether sustainable development will be possible, or whether the goals will merely serve as fodder for more and greater financialization. Achieving the sustainable development goals will require the financial system shift the way it currently approaches and conducts business, and current conditions make evident how difficult this will be.

Ten years after the largest economic failure in modern history, financial institutions are bigger, less safe, and more volatile than ever. Legislation and prudential regulation established in the wake of the crisis have been weakened or repealed in many places. Conventional regulation has been unable to stop risky behavior. This is not only undesirable for large banks, but also for their employees, customers, shareholders, and the economy as a whole. Engaging stakeholders at the largest banks, and in particular, the workforce, appears to be a critical factor yet to be recognized at the global level.

Multilateral institutions have a significant role in ensuring a healthy world financial system and in charting the course toward achievement of the SDGs. Multilateral institutions can engage in routine dialogue with the employees of financial institutions (or their representative bodies) to discover practical solutions that can help stem the financial system's practice of excessive expansion to one that is more sustainable. The growing severity of financialization's negative consequences requires the exploration of every avenue that supports a sustainable transformation. The model of regulation from below improves the behavior of the world's largest private banks through the collective means of sound labor-management mechanisms and relations.

The side event and subsequent discussion will bring together UN Member States, select members of the UN Secretariat working on finance and sustainability, expert academics and members of civil society, particularly trade unions in the global financial sector, to discuss the role that workers can play in shaping the culture of finance and encouraging transparency on the part of banks and financial institutions to address the worst consequences of financialization.

Outcomes

A summary will be published following the side-event and made available along with FES *International Policy Analysis* background papers, "Tipping the Balance: Collective Action by Finance Workers Creates "Regulation From Below'" and "Reforming Bank Governance: 'Top-Down' Reform and Bank Resistance". In addition, FES and partners will bring this fresh approach to reform to the International Financial Institutions in the coming months. One potential outcome envisioned is continued presentation and discussion of these ideas at multilateral institutions and global agencies that play a role in financial stability, including UNCTAD, the OECD, the IMF, and the Financial Stability Board.