

## **NGO Committee on Financing for Development**

**To the High-Level Dialogue on Financing for Development,  
United Nations, New York, 7-8 December 2011**

### **HUMAN NEED - NOT CORPORATE GREED!**

Today the world is consumed by an urgent series of crises: energy, food, climate, and finance that not only threaten the realization of the Millennium Development Goals and the lives and livelihoods of hundreds of millions of people, in the North and the South, but also the stability of the world's economies. These are the same concerns faced when the United Nations met in Doha in December 2008 to take stock of implementation of the Monterrey Consensus on Financing for Development. At that moment, the developed economies and especially their financial sectors had suddenly fallen into deep crises. Food and fuel prices had shot up the year before and then plummeted with the onset of global recession. They would surge again by 2010, making one wonder whether wild swings are now the norm. Meanwhile, evidence of global warming and violent weather systems begins to mount, while we wait in vain for the urgent actions to keep our planet habitable. Three years and many international meetings since 2008 and nothing is fixed. Moreover, trade negotiations that began ten years ago as a "development round" have reached a stalemate and the prospects for essential increases in official development assistance are souring as donor countries sacrifice the world's poorest to the sudden fear that they have excessive public debts. Persistent gender inequalities reflect and are related to all these failures in the global economic system. Overcoming these crises requires decisive action and leadership from the global community. To date, however, such leadership has been sorely missing.

Civil society organizations worldwide are criticizing the financial sector for taking advantage of deregulation to run big risks through reckless lending, create huge speculative bubbles and pay themselves princely bonuses. When the bubbles burst, banks were bailed out by taxpayers, with remarkably few conditions and insufficient corrective regulation attached. The swift and massive response of governments of the richest countries to bail out banks and other private financial institutions with more than three trillion US dollars of public guarantees and funds stands in stark contrast to their failure to respond decisively to the unabated crises of hunger, poverty, and marginalization that has afflicted the majority of the peoples in the world, including in some of the developed countries themselves. Instead, corporate leaders used their wealth and power to influence politics to keep their taxes low and have sought to dismantle the mild financial regulations and environmental policies erected in the aftermath of the multiple crises. Working people, particularly, women are being forced to pay the bill for a system that has increasingly concentrated wealth and economic control in the hands of a few and that continues to deepen the vulnerability and impoverishment of the majority.

An ad hoc group of rich and middle-income country government leaders formed themselves into the Group of 20 in 2008 and promised to take decisive action to address the terrible situation into which the world had sunk. They may have stopped the "great recession" from becoming the second "great depression," but they have not returned the global economy to prosperity, equity or sustainability. Today, they seem no more able to take

decisive action than the Group of 8 before them. The legitimate multilateral institutions have not been effective either in the current environment.

We are deeply concerned to see that the G-20, like the G-8, continues to lead the main global financial and trade institutions such as the International Monetary Fund, the World Bank and the World Trade Organization in the wrong direction, leaving the people of the world highly vulnerable to financial and trade crises, dismantling social protections and facilitating increasing inequality, including through massive unemployment, downward pressure on workers' conditions and rights, reduced access to key public services and the threat to food sovereignty. We are also deeply concerned that the most important pending global negotiation, that to address global warming, seems unable to push toward agreements that allow the world to avoid ecological disaster.

We demand global economic structures and policies that put peoples' rights first, that respect and promote human rights and social and environmental justice, that ensure decent work opportunities which are based on employment opportunities, respect for labor rights, social protection, social dialogue, sustainable livelihoods taking into account the care economy largely dependent on women as well as essential services such as health, education, housing, water and clean energy. We demand a planet that is fit for human development. We demand that our leaders actually come together and lead.

### **People need to have greater control over resources and decisions that affect their lives.**

When the international community met in 2008 in Doha to take stock of the implementation of the Monterrey Consensus, more than 250 civil society organizations also met in Doha and urged governments to take immediate action on several critical policy issues.<sup>1</sup> Those conclusions, which we summarize here, remain as pertinent today as they were then.

#### **I. Domestic resource mobilization**

Besides, the dramatic effects of the current crises, we recognize the net resource outflow from the poor to the rich countries through commercial capital flight and other instruments including debt servicing. In recent years the world has witnessed a substantial and growing transfer of capital from the global South to the North. Conservative estimates indicate that \$500 – 800 billion leave Southern countries every year through capital flight. The major reason for such illicit capital flows is tax evasion by multinational corporations operating in Southern countries, which is facilitated by tax havens that deny poor countries much needed financial resources for development. We therefore call for sustainable measures including enhanced corporate disclosure of revenue, ownership of assets and taxes paid, and implementation of the UN Convention against Corruption. There should be an effective monitoring mechanism on the implementation of the Convention.

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<sup>1</sup> Key recommendations based on the Civil Society Declaration in Doha 2008 by the Doha NGO Group on Financing for Development see : [www.ffdngo.org/sites/default/files/Final%20Draft.pdf](http://www.ffdngo.org/sites/default/files/Final%20Draft.pdf) and [www.ffdngo.org/sites/default/files/Web\\_CSPandR\\_Key\\_Recommendations\\_Sep24\\_0.pdf](http://www.ffdngo.org/sites/default/files/Web_CSPandR_Key_Recommendations_Sep24_0.pdf)

In addition, developing countries need to substantially increase their revenue from domestic resources through fair taxation of companies and wealthy citizens, and channel the revenues towards meeting the needs of the people living in poverty. The domestic policy tools should include fiscal reform, as well as adopting fiscal and monetary instruments to moderate economic downturns and protect at-risk economic sectors and populations from negative impacts. A more representative space for international cooperation on tax matters should be provided by upgrading the UN Committee of Experts on International Cooperation in Tax Matters to an adequately resourced and representative intergovernmental political body. Furthermore, the poor in domestic economies need broader and more equitable access to credit, inputs, information and technology, and the equitable redistribution of land assets.

## **II. Foreign direct investment**

Civil society calls for a holistic approach to foreign direct investment (FDI) that includes, among others, social development aspects and sustainable technology transfer. Investments in natural resources extraction should respect national sovereignty, protect the environment and guarantee the right to free, prior and informed consent by affected communities including indigenous peoples. FDI should follow environmentally and socially sustainable production systems, and align its operations with national and local priorities. Appropriate regulatory frameworks should be put in place to ensure corporate accountability, including the ILO Declaration on Multinational Enterprises and Social Policy. Measures should be developed at international level to align business activities with observance of human and workers' rights, in particular in the areas concerning the state duty to protect and promote human rights, the corporate responsibility to respect human rights, and the need for access to effective remedies for victims, including through judicial mechanisms.

Bilateral investment and free trade agreements should be discussed with all relevant stakeholders, notably national parliaments, social partners and civil society, ensuring democratic ownership. Such agreements that do not promote development and decent work should be revised or repudiated. The drive to improve productivity and competitiveness, particularly through outsourcing and subcontracting should not be pursued at the cost of workers' rights, working conditions and wages, but should be based on the social and environmental imperatives of sustainable development.

## **III. Trade**

The implementation of an export-led model that placed much emphasis on the liberalization of trade, without looking at mechanisms for ensuring trade would become an instrument for the stable provision of development finance, has exposed important vulnerabilities in developing countries. We therefore call upon Member States to reshape the World Trade Organization (WTO) negotiations towards a genuine development round. Northern countries should drop their demands for onerous tariff reductions in all WTO negotiations and end their subsidies for agricultural exports. International movement of persons for work should be facilitated. Also, developed countries should provide 100% duty-free and quota-free access to all products from Least Developed Countries. Existing Free Trade Agreements that pressure developing countries to lower their agricultural tariffs and to liberalize their financial sector and other services should be revised or repudiated. WTO rules should be reviewed to enable developing countries to have sufficient flexibility, special and differential treatment and non-reciprocal treatment so that they do not face additional pressure towards excessive liberalization.

Aid for Trade should not be conceived as a substitute for a reformed trading system that refocuses its objectives on achieving full employment and sustainable development. Aid for trade can only succeed if it is unconditional, non-debt creating, additional to existing commitments and oriented to build the productive capacities of recipient countries, rather than the mere implementation of trade rules. Aid for Trade should instead address the trade, financial and monetary pre-conditions for southern countries to utilize trade as a tool for development, the promotion of gender equity and full employment.

Policy flexibilities to protect agriculture in developing countries should be proportionate to the flexibilities currently available to developed countries. In particular, developing countries should be allowed to protect their agriculture using a flexible and effective Special Safeguard Mechanism. In the interests of policy coherence, outcomes should be fully aligned with the Millennium Development Goals, as well as with decent work objectives and the observance of core labor standards. Developing countries must be accorded the policy space to determine whether, how and when they want to liberalize sectors and markets. Trade liberalization should not worsen employment, hurt vulnerable people or threaten industrial development. It must be coherent with the aims of “re-distribution of wealth, decent work, gender equality and democratic and participative ownership”.

#### **IV. Aid**

The financial crisis must not be used as an excuse to further renege on aid promises. Indeed, increasing aid is needed more than ever. The number of people suffering from hunger is now nearing one billion. Developing countries need support to weather the financial, climate, and food crises – crises principally caused by developed countries that will hit the poorest countries and poorest communities the hardest. Countries in the South continue to need funding to fight poverty and gender inequality. Developed countries should therefore advance their aid commitments. Although aid increased, the G8 failed to deliver its promise to increase annual aid by US\$50bn to US\$130 billion by 2010 and the prospect now is a matter of concern. All countries should accelerate progress towards realizing the 0.7% ODA/GNI target. We call upon donors to act coherently by establishing binding timetables for increasing ODA to reach the 0.7% target by 2015 at the latest.

We urge donor organizations and donor countries not just to adopt agreed principles, but to go beyond these agreements and to further broaden and deepen the aid effectiveness agenda. Donors should deepen financial support for civil society engagement and recognize the key role NGOs play in implementing development programs. Donors should fully untie aid as well as fully de-link aid from economic policy conditions. The Development Cooperation Forum (DCF) as a universal body must be mandated to address development strategies, policies and the financing of development cooperation, as well as promoting coherence between the activities of various development partners. This forum should receive the necessary political, institutional and financial support to enable the relevant development actors to convene, including the new official development cooperation providers, for discussions on fundamental issues of development cooperation.

**Innovative sources of finance**, such as a small financial transaction tax, can provide much needed additional resources for development. We therefore ask the member states to commit themselves to implementing a small FTT, including a levy on all foreign exchange transactions. Numerous studies demonstrate that a currency transaction tax would be technically feasible, could be efficiently raised, and could mobilize far more funds than

all innovative financing instruments so far put together. Moreover, the implementation of such a levy would mean a very important step towards a better distribution of the world's wealth.

We have witnessed steep growth in financial markets. Their unregulated activity and the spread of excessive speculation in commodity derivatives have increased economic instability and deepened poverty among millions of people. There have been only feeble efforts to regulate such commodity derivatives trading. Many studies are showing that this speculation is a major factor in the spikes in food and energy prices that are daily driving more people to experience food insecurity and hunger.

## **V. External debt**

Despite debts cancelled in recent years, the majority of countries throughout the South are still vulnerable to new debt crises and the current food, climate, energy and financial crises threaten to increase that vulnerability. Particularly in times of severe crisis, governments should have a mechanism to prevent badly-needed resources from being diverted to debt servicing and away from fundamental human and environmental needs. The traditional solution of multilateral crisis lending, which adds to the debt burden of borrowing countries, is not always the right approach.

Civil society therefore calls for a new debt architecture that is inclusive, participatory and democratically accountable to the peoples it aims to serve. The United Nations should play a key role in its development, and the institutions and mechanisms should be subject to international human rights, norms and treaties. The new binding institutional framework should revise the current debt sustainability framework so as to include domestic debt, human development and environmental and climate justice considerations. There is also an urgent need to establish a fair and transparent debt work-out mechanism that is independent from the IFIs. A charter of principles for responsible lending and borrowing should also be developed and adopted.

## **VI. Systemic issues**

The United Nations, through the General Assembly, the Economic and Social Council and other bodies, has a fundamental responsibility to address root causes of human distress and obstacles to the achievement of human development, security and dignity. These obstacles include militarization, foreign occupation, collective punishment and unilateral economic embargo. It should also recognize the important role of women in negotiating and in facilitating peace processes where their participation should be enhanced. Civil society therefore calls for a new mechanism within the UN, which ensures implementation of the internationally agreed development goals and brings together all institutional stakeholders. The UN should hold a second international conference in order to comprehensively review the international financial architecture and global economic governance structures in the context of the agreements reached at the June 2009 Conference on the International Financial and Economic Crisis and its Impact on Development. The ECOSOC-BWI High-Level meeting should become a more effective and action-oriented instrument. We support the holding of a follow-up Financing for Development Conference in 2013. Systematic evaluation and monitoring mechanisms should be implemented to guarantee ongoing accountability with clear indicators.

In the longer term, the G-20, with its restricted membership, should be replaced by a selective permanent body under the auspices of the UN with regional representation and a rotation system that can deal with pressing economic and financial issues in a comprehensive way. A working group should be set up soon to work out the modalities for the establishment of such a global council.

## **NGO Committee on Financing for Development, New York**

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