

# Deadline 2015:

Five years to build a  
win-win partnership for  
development



A CIDSE Background Paper on the Millennium  
Development Goals

July 2010

**CIDSE**   
together for global justice

This document presents CIDSE's views on the state of progress to achieve the Millennium Development Goals ahead of the UN Millennium Development Goals Review Summit in September 2010. It presents recommendations for accelerated action to fulfil the international commitment to reach the goals by 2015.

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CIDSE is an international alliance of Catholic development agencies. Its members share a common strategy in their efforts to eradicate poverty and establish global justice. CIDSE's advocacy work covers global governance; resources for development; climate justice; food, agriculture & sustainable trade; business and human rights.

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## LIST OF ACRONYMS

CFA	Comprehensive Framework for Action
CFS	Committee on Food Security (UN)
DAC	Development Assistance Committee (OECD)
ECOSOC	Economic and Social Council of the United Nations
ESC	Economic, Social and Cultural (rights)
EU	European Union
FAO	Food and Agricultural Organisation (UN)
FATF	Financial Action Task Force (OECD)
FTT	Financial Transaction Taxes
GDP	Gross Domestic Product
GDPRD	Global Donor Platform for Rural Development
GHG	Greenhouse gas
GNI	Gross National Income
HIPC	Heavily-Indebted Poor Countries initiative
HRIA	Human Rights Impact Assessments
IAASTD	International Assessment of Agricultural Science and Technology for Development
ICARRD	International Conference on Agrarian Reform and Rural Development
IDA	International Development Association
IFIs	International Financial Institutions
IFPRI	International Food Policy Research Institute
ILO	International Labour Organisation
IMF	International Monetary Fund
LDCs	Least Developed Countries
MDGs	Multilateral Development Banks
MDGs	UN Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
SAP	Structural Adjustment Programmes
SDRs	Special Drawing Rights
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UN HLTF	High Level Task Force (on the food crisis)
WTO	World Trade Organisation

## INTRODUCTION

In 2000, world leaders made a historic pledge to deliver a set of global anti-poverty targets by 2015: the UN Millennium Development Goals (MDGs). These goals have since formed an important framework for the international response to poverty in the developing world. Although far from comprehensive (see box 1), they have nevertheless proved a useful tool for galvanising action on sustainable development and the fight against poverty. However, to date, progress towards the MDGs has been mixed.

With five years to go to their 2015 deadline, the international community will meet at a UN Summit in September to review progress on the MDGs. This will be a crucial opportunity to agree a much-needed “stimulus” package for the MDGs. The ‘poverty’ bail-out that is urgently needed to achieve the goals will not be possible without substantial commitments to action and scaled-up financing.

The backdrop to the Review Summit is the implications of the multiple concurrent crises facing the global community. The impacts of the food, financial and economic crises and climate change are being felt disproportionately by people living in poverty in developing countries, crises which they have done little or nothing to contribute to. The economic crisis has made it harder for poor countries to mobilise domestic resources and to meet development commitments.

On the other hand, the economic crisis has had quite different impacts on such countries as China, India and Brazil as compared to Europe, USA and Japan. This has contributed to a shift in geopolitical axes of influence and loci of responsibility with the classical north-south relationship for development cooperation increasingly making way for south-south cooperation. For the sake of their own credibility as development partners, traditional donor/industrialized countries must fulfil long-established commitments while expecting the emerging economies of the global south to take on their share of responsibility for global development.

The convergence of all these factors calls into question more than ever before the viability, sustainability and equity of current approaches. It reaffirms the need to build a truly global partnership, for development which is sought to be achieved in MDG8. CIDSE understands a true partnership as a relationship entered into voluntarily ‘in a climate of cooperation and solidarity’ in order to ‘overcome ideological divisions... to seek what unites...rather than what divides’.<sup>1</sup>

The following elements are central to building a genuine development partnership:

- Mutual accountability: stakeholders commit specific resources to the partnership. All resources are considered equally valuable to achieve the common goal. Stakeholders are accountable for the resources committed to the partnership.
- Subsidiarity: policy/action outcomes from the partnership are developed in dialogue with those who are key to their implementation.
- Transparency: all actions, decisions and resources brought into the partnership are transparent to all partners involved and all affected by the partnership.

The convergence of all these factors calls into question more than ever before the viability, sustainability and equity of current approaches. It reaffirms the need to build a true partnership for development. In preparation for the 2010 Summit the UN Secretary General has issued a

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<sup>1</sup> Pontifical Council for Justice and Peace, Compendium on the Social Doctrine of the Church.

report 'Keeping the Promise'. The Secretary General's report emphasises the critical need for action when it says: "the need to accelerate delivery on Millennium Development Goal 8 commitments has now reached emergency proportions, rather than simply being a matter of urgency."<sup>2</sup>

CIDSE welcomes four important points made in the Secretary General's report:

1. While 'quick gains' may contribute to the realization of MDGs, sustainable development will only come about through systemic reform.
2. Rising/cross-cutting challenges including climate change, global food insecurity and weaknesses of the current economic and financial system need to be addressed to further progress towards the MDGs.
3. A rights-based approach is essential to achieve the MDGs and sustain successes booked. This approach necessarily requires consultation and participation of and accountability to all affected stakeholders.
4. The MDGs should be viewed through a gender lens. Women and girls face the greatest burdens of poverty, hunger and disease. Women also play a critical role as agents of change. This needs to be acknowledged by recognising the need and benefits for development of empowering women.

These should be endorsed by governments at the Review Summit and serve as a basis for developing strategies for achieving equitable and sustainable progress going forward.

Mainstreaming a rights-based, gender-sensitive and systemic approach is crucial for the achievement of the MDGs and CIDSE has criticized the failure to build these fundamental principles into the MDG framework.

For CIDSE, a rights-based, gender-sensitive and systemic approach constitutes the essence of goal 8. The failure to capture this view in MDG 8's indicators is a real deficiency of the framework.

<p style="text-align: center;"><b>Box 1 - The weaknesses of the MDG framework</b></p> <ul style="list-style-type: none"><li>• The failure to address fundamental principles of human rights and a structural response to inequality and power distribution.</li><li>• The focus on quantitative outcomes at the expense of qualitative measures and a lack of regard for development processes that foster participation and ownership.</li><li>• The reductionist approach to a global vision for development. Many concepts and actions that could not be shoe-horned into these eight goals have subsequently dropped off government agendas.</li><li>• The limited ambition; reducing absolute poverty by half implicitly accepts the continued abject poverty of billions, and raises the question of who is to benefit and who is left behind.</li><li>• Lack of ownership of the MDGs amongst many Southern Governments and southern civil society.</li></ul>
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This paper identifies commitments and action gaps in key policy areas only some of which are addressed in MDG 8. Climate change, the food, economic and financial crises have revealed key gaps in policy making in areas that shape the global partnership for development. The paper therefore approaches these issues from the point of view of these challenges. We call upon world leaders to conclude the Summit with a clear action plan addressing these policy areas if a real and global partnership for development is to be achieved as promised by 2015.

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<sup>2</sup> Keeping the promise: a forward-looking review to promote an agreed action agenda to achieve the Millennium Development Goals by 2015, A/64/665, 12 Feb 2010. P. 24.

## **I. RESPONDING TO THE CLIMATE CRISIS**

Although the need to ensure environmental sustainability and protect biodiversity was recognised by the MDGs in 2000, it was only in subsequent years that the international community recognized the urgency of tackling global warming. Climate change is a global problem and unprecedented levels of international cooperation and global solidarity are needed to respond to its challenges, with each country taking action according to its responsibility and capability.

Current climate change is primarily the result of the fossil-fuel-based growth of developed countries. Yet, people in developing countries that have done the least to contribute to the problem have been the first and most profoundly affected by it. The UN Commission on the Status of Women in 2008 has highlighted the fact that women, who traditionally are responsible for organising the basic needs of the family and find it more difficult to access resources and decision-making, are disproportionately impacted by climate change.

Developed countries have a historic and moral obligation to take the lead in the fight against this global challenge. With their greater financial and technological capacities too, they are best placed to deliver urgently needed emission reductions and provide the support to developing countries to enable them to adapt to climate change's impacts and develop sustainably. Instead, we see attempts to shift responsibility for tackling climate change to developing countries in current negotiations towards a new global climate change agreement.

### **1. Limited ambition on cutting down greenhouse gas emissions**

The Intergovernmental Panel on Climate Change made it very clear in their Fourth Assessment Report in 2007 that significant global emission reductions would have to be made if the international community is to avoid the worst impacts of climate change.<sup>3</sup> According to scientific evidence, keeping further rises in global temperatures well below 2°C with a reasonable degree of certainty will require an aggregate developed country commitment to reduce greenhouse gas emissions by more than 40 per cent by 2020 and 80-95 per cent by 2050 based on 1990 levels.<sup>4</sup> The Science has also made clear that remaining well below a 2°C rise will require major emitting developing countries to take action to curb their projected emissions, a point which developed countries persistently focus on.

Under the legal instrument, the United Nations Framework Convention on Climate Change (UNFCCC 1992), all countries committed to achieving stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system; within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.<sup>5</sup> Under the UNFCCC, the Kyoto Protocol (1997) and the Bali Action Plan (2007) developed countries agreed to take the lead in delivering the necessary emission reductions and under the Kyoto Protocol (1997) the majority of developed countries took on legal time-bound targets for emission reductions.

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<sup>3</sup>Climate Change 2007, the Fourth Assessment Report of the United Nations Intergovernmental Panel on Working Group III Mitigation. Chapter 13. Box 13.7. 'State of the World 2009, Into a Warming world; A Safe Landing for the Climate', Chapter 2, available at <http://www.worldwatch.org/sow09>.

<sup>4</sup>Ibid.

<sup>5</sup> Article 2, UNFCCC.

One of the claims to success of the Copenhagen Climate Summit in 2009 was the association or ‘engagement’ of **133** countries, representing **86.2 per cent** of global emissions (at time of writing) with the Copenhagen Accord and its commitment to limiting a further rise in global surface temperatures to below 2°C.<sup>6</sup> This was a reiteration of the commitment made by G8 countries at their Summit in 2009 and a commitment made by the EU in 2007.<sup>7</sup> Despite this commitment, however, so far Norway and Japan are the only two developed countries to make emission reduction pledges that reflect the level of reductions needed by developed countries by 2020 to meet this objective. Canada has even recently decreased its already extremely low emissions reduction pledge of 3 per cent by 2020 based on 1990 levels to a 0.25 per cent increase.<sup>8</sup> This is despite the fact that the current economic downturn has made emission reductions easier and cheaper to achieve. Furthermore, many developed countries continue to drag their feet on the tightening of accounting rules for their commitments, which, if not effectively addressed, will seriously undermine the environmental integrity of any future regime.

**Table 1 - Pledges by selected developed countries under the Copenhagen Accord<sup>9</sup>**

<b>Country</b>	<b>Emissions reductions pledge by 2020 based on 1990 levels</b>
EU	-20 per cent unilateral, -30 per cent conditional on global actions
Switzerland	-20 per cent unilateral, -30 per cent conditional on global actions
US	-3.67 per cent
Canada	+ 0.25 per cent
Australia	-3.89 per cent unilateral, -24.1 per cent conditional on global actions
New Zealand	-10 per cent unilateral, -20 per cent conditional on global actions
Japan	-25 per cent conditional on global actions
Norway	-30 per cent, -40 per cent conditional on global actions

Current emission reduction pledges would result in further global warming of between +2.8 and +4.3°C.<sup>10</sup> A 2°C temperature increase would already result in decreased food security due to falling cereal crop production, with small-scale farmers in the South being the most affected by this. Tens of millions more people risk being exposed to increased water stress, malnutrition and disease with the greatest impacts felt in the continents of the South.<sup>11</sup>

Given the failure thus far by developed countries to take the lead – to which they are legally and morally bound - by committing to reductions at the level and speed required by them as shown by the science, efforts to shift responsibility for emission reductions to developing countries under a new global climate change agreement are disingenuous.

One possible light ahead lies in renewed debate in the EU to unilaterally commit to cut emissions by 30% after a European Commission Communication in May 2009. An important point made by the Communication was that a greater EU reduction target has both economic and multiple co-benefits. Whilst still below the more than 40 per cent needed by developed countries to avoid the worst impacts of climate change, a move in 2010 to an unconditional -30 per cent reduction

<sup>6</sup> <http://www.usclimatenetwork.org/policy/copenhagen-accord-commitments>.

<sup>7</sup> EU Environment Ministers meeting, February 2007.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/envir/92864.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/92864.pdf).

<sup>8</sup> <http://carbonforesight.blogspot.com/2010/02/psssttcanada-sets-17-carbon-emission.html>.

<sup>9</sup> <http://www.usclimatenetwork.org/policy/copenhagen-accord-commitments>.

<sup>10</sup> <http://www.climateactiontracker.org>.

<sup>11</sup> Climate Change 2007, Summary for Policymakers, Table SPM 2.

target could do much to demonstrate the integrity of the EU's commitment to tackling climate change.

## 2. Financing climate action

Climate change places new and additional burdens on people in developing countries. These new challenges must be addressed with additional resources if the fight against climate change and the eradication of poverty are to reinforce rather than undermine one another.

The UNFCCC, the Kyoto Protocol and the Bali Action Plan all require developed countries to provide developing countries with new and additional financial resources to tackle climate change.<sup>12</sup> Pledges made so far within the UNFCCC and other fora have not been at levels expected or needed. Moreover, deposit and disbursement levels fall far short of these pledges. In total, the gap between the \$18,719,90mn pledged - and the \$2,001,95mn deposited over the past decade is \$16,717,95mn.<sup>13</sup>

At the Copenhagen Climate Summit (2009) donor countries pledged to mobilise up to \$30bn in new and additional 'fast-start' finance for the period 2010-2012, and \$100bn a year from public, private and innovative sources by 2020 for climate action in developing countries.<sup>14</sup> This falls far short of developing country demands and the estimated \$200bn or more a year needed in long term financing by 2020.<sup>15</sup> Furthermore, while donor countries repeatedly emphasise the role that the carbon market will play in delivering financial support to developing countries, the low carbon price that would result from current weak emission reduction targets seriously undermines these contentions.

Importantly, thus far the concept of 'new and additional' finance for climate change referred to does not have a commonly agreed definition. To be truly additional and not undermine existing MDG commitments climate finance must come on top of donor country ODA commitments, for example the 0.7 per cent of GDP target. The current ambiguity surrounding the term allows many States to claim any finance on top of current aid flows as new and additional. Current indications are that the majority of donor countries, indeed intend to raid ODA budgets, and/or repackage past pledges to meet their fast-start finance commitments.<sup>16</sup>

This effectively means there is a danger that there will be little money that is new, or that is additional to existing aid commitments to meet urgent adaptation needs and to build the capacity needed to prepare for increased adaptation and low carbon development in developing countries in the year ahead. This also bodes badly with regard to the provision of adequate new and additional long-term climate finance. The US climate bill, for instance, is currently stalled in the Senate, with provisions for support to developing countries looking ever weaker.

Climate change threatens the achievement of the MDGs as a whole; at the same time, achievement of the MDGs would have a significant impact on tackling the impacts of climate

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<sup>12</sup> Article 4.3, UNFCCC.

<sup>13</sup> <http://www.climatefundsupdate.org/graphs-statistics>.

<sup>14</sup> Copenhagen Accord. 2.CP.15.

<sup>15</sup> [http://climatenetwork.org/climate-change-basics/CAN\\_FAB\\_Essentials.pdf](http://climatenetwork.org/climate-change-basics/CAN_FAB_Essentials.pdf); 'Climate Finance Post-Copenhagen. The \$100bn questions', Oxfam Briefing note May 2010; 'The Global Report of the Economics of Adaptation to Climate Change Study', Washington DC: World Bank (2009).

<sup>16</sup> NGO views on implementation of EU fast start finance. June 2010.

[http://www.cidse.org/uploadedFiles/Publications/Publication\\_repository/20100604\\_Preliminary%20Report%20on%20EU%20Fast%20Start%20Finance%20NGO%20Comment%20and%20Analysis.pdf](http://www.cidse.org/uploadedFiles/Publications/Publication_repository/20100604_Preliminary%20Report%20on%20EU%20Fast%20Start%20Finance%20NGO%20Comment%20and%20Analysis.pdf).

change.<sup>17</sup> Thus the critical need to both guarantee effective progress towards achieving the MDGs, and ensure that the future global climate change agreement has poverty eradication and the Right to Development at its core.

**CIDSE recommends:**

**i. The international community must agree on a fair, ambitious and binding global agreement under the UN that respects and protects the right of people in developing countries to their development**

This agreement should include:

- Provisions that will keep global temperature rises well below 2°C, with a commitment by developed countries to reduce their GHG emissions by more than 40 per cent by 2020 and 80-95 per cent by 2050 based on 1990 levels, in recognition of their historical responsibility to the international community.
- The EU should seek to lead from the front by committing to a unilateral move to a 30 per cent emission reduction target. This should be a first step to a target of more than 40 per cent by 2020 based on 1990 levels.
- Emission reduction targets should be binding, include a robust compliance mechanism and accounting rules that avoid loopholes that would undermine the environmental integrity of reduction targets.
- Provision by industrialised countries of sufficient new and additional (to existing ODA commitments) predictable, secure and accessible financing, technology sharing and capacity building – each in a measurable, reportable and verifiable manner – to support and enable the mitigation and adaptation efforts of developing countries.
- Innovative financing mechanisms to secure reliable, additional financing for climate action, that can be scaled up according to future need. Priority should be given to mechanisms that internalise the cost of environmental damage of goods and services, thereby realising a ‘double dividend’ to discourage polluting actions.

**ii. Future financing needs**

Whilst the private sector can and should play a role in generating finance for climate action, adequate public funds in excess of the \$100bn from mixed sources currently discussed will be necessary to ensure that investments are made, and private financing leveraged, where it is needed, not only where it is profitable.

Given the inevitability of climate financing needs increasing significantly in the future, sources of financing agreed should provide for scaling up as necessary. Fast-start financing between 2010 and 2012 should address urgently needed actions in developing countries and build capacities for further action under a new global climate change agreement. It should also lay the groundwork for coordinated long-term financing that can be monitored, reported and verified, and provide best practices and recommendations for future engagement. To facilitate this, donor countries should report in a comprehensive manner on the sources, thematic spending, geographic spread, channels of funding, and the budget sources of their fast start financing pledges.

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<sup>17</sup> The MDG Path to a Climate Change Solution. End Poverty 2015 Campaign.  
<http://www.slideshare.net/endpoverty2015/the-mdg-path-to-a-climate-change-solution>.

The EU has committed to coordination and transparency in its fast start financing, which is to be welcomed. It must now deliver credibly on this at the Cancun conference and beyond, and other donor countries must follow suit.

**iii. Gender-centred and sustainable development approaches to be integrated into action to combat climate change**

Groups who are the most vulnerable to the effects of climate change must be involved in planning, implementation and monitoring to make sure that climate action is effective, appropriate and pro-poor. Women are key agents of change with crucial knowledge and skills to bring to adaptation and mitigation strategies. There should be sufficient care to ensure their participation in formulating and implementing strategies to address climate change.

The International Assessment of Agricultural Science and Technology for Development (IAASTD report)<sup>18</sup> provides comprehensive evidence of the key role that small-scale sustainable agriculture has to play in combining adaptation and mitigation strategies with food security and poverty reduction in developing countries, where agriculture provides for the livelihoods of the majority of poor people. A focus on ecologically sustainable small scale agriculture must be a core element of responding to both the food crisis and building resilient livelihoods in developing countries.

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<sup>18</sup> See for example, International Assessment of Agricultural Science and Technology for Development, Synthesis of Global and sub-global Reports, 2008.  
[http://www.agassessment.org/reports/IAASTD/EN/Agriculture%20at%20a%20Crossroads\\_Synthesis%20Report%20\(English\).pdf](http://www.agassessment.org/reports/IAASTD/EN/Agriculture%20at%20a%20Crossroads_Synthesis%20Report%20(English).pdf).

## **II. RESPONDING TO THE FOOD CRISIS**

Between 2005 and 2009, the number of chronically hungry people dramatically increased from 850 million to 1.02 billion. This crisis cannot be attributed to food-supply shortages. On the contrary, 2008 recorded a record grain harvest of 2.28 billion metric tons.<sup>19</sup> However, when commodity prices hiked in 2007 and 2008 the price of imported food shot up. At the same time, under-investment in agriculture, liberalisation and privatisation policies and unfair trade policies and practices over the past decades had so depleted local production systems in developing countries that hundreds of millions of more people found themselves without the means to access adequate food. Poor consumers were the main victims and took to the streets in protest in many countries, whilst the situation was to deteriorate further as the impacts of the financial and economic crises took hold.

Although prices have fallen from their peak in 2008 they remain higher than the 2006 average. The international community is far off track on meeting its commitments to securing the Right to Food for all, and reaching MDG 1. Unfortunately, the Secretary General's report for the MDG Review Summit does not include an analysis of the causes of the food price crisis. This is a clear deficiency given that the systemic causes of the crisis must be taken into account in proposing any policy responses if hunger is to be eradicated sustainably.

The sources of the food crisis go beyond areas that are addressed by MDG1:

### **1. Significant under-investment in agriculture and rural development by both donor countries and developing country governments over the past decades**

ODA to agriculture and rural development has decreased from around 20 per cent in the 1980s to around 4 per cent in 2006. This, along with a lack of investment by developing country governments in this sector, has contributed to a massive decrease in productive capacity and local markets in developing countries. Consequently, communities were left vulnerable when import prices escalated in 2007-2008. It remains to be seen whether the G 8's L'Aquila commitments will be realized, how much of the money will be additional and how much will be repackaged or diverted aid. However, it is clear that these will not be enough to reverse the damage done by decades of neglect of the agricultural and rural sector, and that a sustained increase in investment by donor governments and developing country governments is necessary to build sustainable and resilient local productive capacities.

### **2. International trade policies**

Misled trade policies have been one of the main structural factors behind the food crisis. At the beginning of the 1980s, developing countries were forced to open their markets in the framework of Structural Adjustment Programmes (SAP) imposed by the IMF and the World Bank. This pressure increased with the Agreement on Agriculture of the WTO in 1995. These policies made developing countries more vulnerable to import surges and contributed to the marginalization

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<sup>19</sup> FAO 2009b: More people than ever are victims of hunger, Background Note, June 2009: [http://www.fao.org/fileadmin/user\\_upload/newsroom/docs/Press%20release%20june-en.pdf](http://www.fao.org/fileadmin/user_upload/newsroom/docs/Press%20release%20june-en.pdf).

and sometimes violations of the right to food of smallholders.<sup>20</sup> This also resulted in decreasing domestic food production and increasing import dependence in these countries. When international commodity prices exploded in 2007 and 2008, import-dependent countries were not able to ensure food security through imports any more.

In the absence of an agreement in the framework of the WTO in the so-called 'Doha Development Round,' developed countries and blocs have pursued bilateral trade agreements with developing countries that are driven by self-interest even more than proposals in the WTO negotiations. Developing countries have been forced to further open their markets for imports, investment, and services for companies from industrialized countries. Intellectual property ownership of companies of seeds and medicine has been strongly defended by governments seeking to protect the profits of their companies at the expense of basic needs of people in developing countries. In this situation, developing countries' policy space to realise human rights for the poor, particularly their human right to food has been seriously undermined. The EU's refusal to adequately reform their agricultural policies and to refrain from exporting agricultural products at prices below their production costs is a great obstacle for many developing countries.

### **3. Competition over land use**

Unequal distribution of land and other natural resources is one of the key roots of poverty and hunger in rural areas in developing countries. Comprehensive land and agrarian reforms are badly needed in many developing countries. The FAO Guidelines on the Right to Food recommend land reforms as one important tool to combat hunger. However, these are blocked by land owners, sometimes by violent means against activism of landless people, and neglected by governments and parliament, under the influence of rural elites. Moreover, international organizations such as the World Bank have been promoting a land reform model based on market mechanisms. These programmes have proved to be insufficient in redistributing land to the poor and in securing their traditional land rights against investors.

Violent evictions or displacement of poor rural communities such as indigenous people, herders and small scale farmers from their land for the sake of big infrastructure projects such as in the mining, tourism or energy sector, or export oriented monocultures are not new. However, this problem has been worsening dramatically in the recent years through large scale foreign investment in land renting or acquisitions, particularly in Africa. Between 2005 and 2009, it is estimated that between 22 and 50 million hectares in Africa, Asia and Latin America have been transferred to investors.<sup>21</sup> There are numerous reports of rural poor communities, for example in Kenya, Mozambique or the Philippines, being deprived of their access to land, and of ongoing land reforms undermining national food security and sovereignty.

### **4. Excessive speculation on agricultural commodity markets**

The world has seen outrageous price fluctuations on the international markets for agricultural products in the last three years, which have greatly exacerbated food insecurity and contributed to the explosion of food prices in 2008. Whilst price fluctuations are caused by various factors, partly the spill-over effects of policies dealing with crises of other spheres of global economy (finance, energy, climate), speculative financial movements on the raw material markets have

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<sup>20</sup> Paasch, A. (ed.), F. Garbers, and T. Hirsch. 2007. *Trade Policies and Hunger. The impact of trade liberalisation on the Right to Food of rice farming communities in Ghana, Honduras and Indonesia*. Geneva: EAA.

<sup>21</sup> Grain (2009) Land Grabbing and the Global Food Crisis; BMZ (2008) Großflächige Landkäufe und -pachten in Entwicklungsländern.

significantly contributed to this volatility. Whilst the G8 and many other international platforms have highlighted the need to stabilise world food markets on a number of occasions, they have not yet come forward with clear proposals.

## 5. Donor policies

Donors tend to fund quick fixes based on agricultural inputs such as seeds and fertilizers. Some initiatives purporting to promote global models for agricultural intensification based on external inputs give cause for caution, and fail to take into account the multifaceted nature of food availability and food access issues in developing countries. These failings highlight the need for a rehaul of global food systems and governance if a true global partnership for development is to be achieved.

There have been numerous political declarations as well as institutional and financial initiatives since the explosion of food prices in 2008, including in fora such as the G8, within the FAO and the UN. An overview of a number of these initiatives, their objective, financial pledges involved and current status are provided in table 2 below:

**Table 2 – Overview of donor initiatives in response to the food crisis**

<b>Initiative</b>	<b>Purpose/objective</b>	<b>Funding pledged</b>	<b>Current Status</b>
A Global Partnership for Food Security and Nutrition, promoted by the EU in 2008, the G8 and endorsed in UN fora including the FAO World Food Summit 2009	A proposed multi-stakeholder effort to increase the efficiency of the fight against hunger at both local and global levels, comprising a political, scientific and financial pillar.	None	Unclear
UN High-Level Task Force on the Food Crisis (UNHHTF), established in 2008 by the UN Secretary General, and its Comprehensive Framework for Action (CFA)	To promote a unified UN response to the food crisis; the CFA provides policy options for UN, Bretton Woods Institutions and others to follow in response to the food crisis.	None	Under review in 2010
Reform of the UN Committee on Food Security, 2009	To provide coordination at the global, national and regional level; to promote policy convergence and accountability; to develop a	None	Under implementation

Initiative	Purpose/objective	Funding pledged	Current Status
	Global Strategic Framework for food security and nutrition; to facilitate support, advice and sharing of best practice to and between countries and regions. <sup>22</sup>		
EU Food Facility, 2009	<p>A Fund for financing the implementation of short to medium term projects to alleviate impacts of the food crisis. The primary objectives set by the regulation are:</p> <ol style="list-style-type: none"> <li>1) boost agricultural production in target countries and regions;</li> <li>2) support safety nets to mitigate the negative effects of volatile food prices on local populations; and</li> <li>3) strengthen the productive capacities and the governance of the agricultural sector to enhance the sustainability of interventions.</li> </ol>	<p>€1 billion for the period 2009-2011.</p> <p>This should include 760 million of fresh money, but in reality more than 240 million will be subtracted from development budgets.<sup>23</sup></p>	First phase of implementation
G8 L'Aquila Initiative on Global Food Security, 2009	To catalyse additional funds around country-owned strategies, increase food production, improve access to food and empower smallholder farmers to gain access to enhanced inputs, technologies, credit and markets.	\$20 billion dollars over 3 years.	Currently unclear. Tracking tasked, IFPRI, UN-HLTF, the WB and the Global Donor Platform for Rural Development GDPRD
Multi-donor Global Agriculture and Food Security Programme, 2010	<ul style="list-style-type: none"> <li>– Raising agricultural productivity</li> <li>– Linking farmers to markets</li> <li>– Reducing risk and vulnerability by supporting food-related social protection</li> <li>– Promoting non-farm rural livelihoods</li> <li>– Technical Assistance, institution-building and capacity-building</li> </ul>	Total commitments to date equal US \$ 900 million, pledged over three years.	First call for proposals issued

<sup>22</sup> Reform of the Committee on Food Security, Final Version, October 2009.

[http://www.fao.org/fileadmin/templates/cfs/Docs0910/ReformDoc/CFS\\_2009\\_2\\_Rev\\_2\\_E\\_K7197.pdf](http://www.fao.org/fileadmin/templates/cfs/Docs0910/ReformDoc/CFS_2009_2_Rev_2_E_K7197.pdf).

<sup>23</sup> AAA CSOs Monitoring Report, Food Facility Study 2010.

All profess commitment to alleviating the impacts of high food prices on affected communities, and to finding long-term solutions to the crisis. There are a number of positive developments that can be identified over the course of the political debate since the eruption of the crisis in 2007/2008, for example, renewed recognition of the importance of investment in agriculture in developing countries and an increasing focus on small scale farmers.

However, political and financial initiatives have fallen far short of what is necessary to address the root causes of global food insecurity. Policies enacted by donors, and then aggressively pushed through by global institutions over the last several decades, have contributed to a global food system vulnerable to disruptions. They must now play a key role in promoting a new global food system, one that is just and sustainable. The MDG Review Summit is a key moment to announce clear commitments in this regard.

### **Box 2 - A new EU Food Security policy framework**

In May 2010 the EU adopted a new policy framework for food security, and tasked the Commission to come forward with an implementation plan by the end of 2010. The Framework was welcomed by CIDSE; it includes a number of important new policy orientations which go in the direction of the above recommendations. These include recognition of the role of the Right to Food in food security strategies, the need for ecologically sustainable approaches, demand-led research, and the need to raise incomes of small producers. The framework also recognises an important role for the UN Committee on Food Security in a new global food governance.

The proof of the new framework will, however, be in the implementation; crucial in this will be a commitment to ensuring sustained increased financing (see recommendation on sustained investment above) and the ability to hold the EU to account for the impacts of EU policies in other areas on the objectives of the policy framework, including trade and agricultural policies.

#### **CIDSE recommends:**

**i. A massive scaling up and better allocation of ODA to agriculture and rural development**

Donor governments should commit to match the 2003 Maputo commitment made by African countries to dedicate 10 per cent of annual budget resources to agriculture and rural development, by allocating at least 10 per cent of their ODA allocations to agriculture and rural development within the next five years. Equally important to scaling up is the quality of aid and where and in what it is invested.

**ii. Incorporate the Right to Food as a guideline for policy-making**

Political declarations since the eruption of the food crisis have reiterated the international community's commitment to the realisation of the Right to Food. However, without taking this as the basis for national and international responses, the changes in global policies and in development interventions needed to achieve this fundamental right will not be realised.

The Right to Food is legally binding, even if the Guidelines for its implementation are still voluntary. It places responsibility on governments and allows for enforceable action when rights are being undermined. The Right to Food does not impose specific agricultural or

food policies on governments. Instead, it provides a useful framework for action that can guide governments on how to increase food security in their country using a range of policy changes and programmes. It ensures that all those affected by projects and programmes, in particular women as the majority of smallholder producers and agents of change, are involved in their analysis and design. This is both a question of accountability and legitimacy, but equally a necessity to ensure the appropriate and effective design and delivery of projects and programmes.

### **iii. Reform trade and agricultural policies**

- Establish trade rules that build on human rights obligations. Before concluding bilateral or multilateral trade agreements, States should undertake comprehensive Human Rights Impact Assessments (HRIA). They have to make sure that these agreements do not limit national policy space to realize the Right to Food and other human rights. Trade agreements should contain human rights clauses that mandate the renegotiation of provisions that have shown to compromise human rights obligations of states.
- Base the negotiation and implementation of trade agreements on the principles of participation, transparency, accountability and the guarantee of access to effective judicial remedy.
- Reform article 24 of the WTO which requires “reciprocity” of commitments in bilateral trade agreements and hinders effective special and differential treatment of developing countries.
- The EU should reform its “Global Europe” Strategy which has a one-sided focus on increasing market access for goods, services and investment for European companies and neglects MDG commitments and human rights obligations of the EU and its member states.
- Ensure provision of an easily accessible Special Safeguard Mechanism under all trade agreements with developing countries.
- Reform agricultural policies in OECD countries in order to end exports of agricultural products at prices below costs of production. The EU must end all export subsidies immediately and without making this conditional on the conclusion of the Doha Round. All internal agricultural subsidies should follow strict ecological standards and should never lead to the destruction of local markets abroad or allow agribusiness to control global markets.
- Curb private dumping practices which dispose of by-products of food chains or aim to gain a regional monopoly by selling abroad below the cost of production in the North.

### **iv. Support an enabling policy framework for small scale farmers**

Investment in agriculture and rural development in developing countries should support an enabling framework that addresses the many factors which limit the access of female and male small-scale farmers, women-led households and landless workers in developing countries to affordable and adequate food, as well as their ability to achieve a secure and decent livelihood for themselves and their families. This will enable small-scale farmers to benefit from higher food prices, rather than suffer their consequences. The FAO Guidelines on the Right to Food provide a comprehensive and well-elaborated set of recommendations for national governments in developing countries and to donors along these lines.

Particular areas to be addressed in this regard are:

- Support for ecologically and socially sustainable agricultural development.
- Access to fertile land and water for small scale farmers, including women producers and resource poor farmers in particular.
- Support to those living in poverty in rural areas to access extension services, training and financial services, including credit.
- Ensuring the participation of small scale farmers and their representatives in policy formulation for agricultural development and modernisation strategies.
- Support for farmer empowerment at all levels, such as establishing or strengthening farmers' organisations, producers' associations, cooperatives, and the strengthening of collective bargaining in agricultural value chains.
- Investment in pro-poor research and rural development and the protection and participatory improvement of local seed varieties, based on full recognition of Farmers' Rights related to seeds, including sui-generis legislation.
- Development of storage and transport infrastructure, appropriate systems of stockholding with a focus on decentralised and locally-controlled grain banks.
- Improved access for small farmers to markets with prioritisation of local and regional markets, thus avoiding product and marketing standards that discriminate against poor and small farmers.
- Establishment of local and regional market institutions and competition policies.

#### **v. Support for bio-diverse agricultural eco-systems**

Developed country agricultural, trade, environment and development policies should promote bio-diverse agricultural eco-systems both at home and abroad. Current trade and agricultural policies have promoted monocropping, which has led to the reduction of agricultural bio-diversity, undermined soil and landscape structures, and is threatening the use of agro-ecological practices. Increasing productivity, in particular in Sub-Saharan Africa is crucial but must be pursued by promoting diverse and sustainable farming.

The IAASTD 2008 report<sup>24</sup> provides significant evidence for how small-scale bio-diverse agriculture can achieve greater food security and reduce poverty in developing countries, but has so far been largely ignored by international policymakers. The international community should endorse the findings and recommendations of the IAASTD report, and should, at a minimum:

- Support agricultural practices based on local agro-ecological systems and involving mixed land use. These better manage biological balance, keeping insects, weeds and soil erosion in a natural check.
- Reject the prescription of a single global model for agricultural modernisation. A large number of diversified farming systems exist across the globe, each of which has its own ecology, logic, problems and potential for further development. Based on this diversity, different options must be sought to stimulate sustainable development.
- Promote public funding for agricultural research, in particular in the South. This research should be farmer-led, empower small-scale farmers, draw on gender-specific knowledge and should promote pro-poor solutions.

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<sup>24</sup> <http://www.agassessment.org>.

**vi. Stop land grabbing and support land reform policies**

National governments and the international community should take all necessary steps to stop so-called “land grabbing” and secure land rights of vulnerable people. They should:

- Support land tenure reforms in developing countries that enable the redistribution of arable land to landless people, small-scale farmers, indigenous peoples and other marginalized groups and that secure traditional land rights against the claims of investors.
- Make full transparency of negotiations and contracts, Human Rights Impact Assessments (HRIA) and complaint mechanisms mandatory for any large scale land acquisition. No large scale land transfer should be possible without these measures and without free, prior and informed consent of the affected people and communities.
- Support the development of FAO “Guidelines on Good Governance on Land and Natural Resource Tenure”. These guidelines should adopt a human rights approach based on the FAO Guidelines on the Right to Food, and include the recommendations of the International Conference on Agrarian Reform and Rural Development (ICARRD). The land guidelines must be the result of a comprehensive participatory and democratic process and finally be endorsed by the reformed UN Committee on Food Security (CFS).
- Ensure that the Code of Conduct on agricultural investment, currently developed by the World Bank, excludes the issue of land and natural resources. The latter should instead be included in the parallel process of the above mentioned land guidelines of the FAO.
- Monitor the corporate practices of corporations based (registered) in their territories according to ILO conventions, the existing guidelines and Codes of Conduct, in particular the OECD Code for Multinational Corporations.

**vii. Stabilise world food prices, curb speculation and provide access to food for the needy**

- The elimination, or at least strict regulation of speculative finance (including hedge funds) in food stock exchange and future markets for food and agriculture, should be pursued.
- Stock-keeping of strategic food reserves has to be revitalised, whether on a global, regional, national or local level, and whether in physical terms or in virtual reserves, to counterbalance disproportionate oscillations. International rules should be developed at the various levels to coordinate stock-holding programmes for food security.
- The WTO-rules and SAP-conditionalities on public stock-holding for food security purpose need to be reviewed to move away from a sole focus on price control and subsidies and to allow for a more varied approach to agriculture and trade.

**viii. Build effective, coherent and inclusive global food governance**

Whilst the food crisis generated a wide consensus that a new approach and architecture for global food governance is necessary, as seen from the table 2 above, the global picture is currently one of numerous and diverse policy processes and funding initiatives proceeding in parallel. Effective global governance on food security, agriculture and nutrition – with effective coordination and coherence between political and policy processes and resourcing - is urgently needed to create a genuine partnership for development as well as putting the world back on track towards realising MDG1.

The UN Committee on Food Security (CFS) has been reformed to be more inclusive in its membership and is open to strong civil society participation, including those most affected by food security. The CFS is mandated to promote global coordination, policy convergence, accountability and to develop a Global Strategic Framework for Food Security and Nutrition. It provides a legitimate political pillar for a new global food governance architecture. It is still unclear whether governments, in particular donor governments, will ensure the Committee will have the political and financial support it needs to pursue its mandate authoritatively and effectively. Neither the G8 L'Aquila initiative, nor the World Bank Global Agriculture, Food Security Programme, refer to the CFS and its political mandate, whilst the CFS is currently without significant resources to perform the tasks allocated to it. There is a serious risk that those processes endowed with the financial support and policy orientations of donor countries will trump new policies emerging from the representative and the scientifically-backed CFS.<sup>25</sup>

These problems need to be overcome:

- Governments must recognize the UN Committee on Food Security as the main international decision-making body in defining new strategies against hunger and in allocating needed resources. Donors must provide it with political support and financial resources necessary to carry out its mandate.
- Donor countries must ensure effective governance links between their policy and funding initiatives with the UN Committee on Food Security to promote coherence and accountability.

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<sup>25</sup> Kolmans and Paasch, 2010.

### III. RESPONDING TO THE FINANCIAL AND ECONOMIC CRISES

Figures from the World Bank revealed that net private capital inflows to developing countries fell to half in 2008.<sup>26</sup> Sub-Saharan Africa was hit hardest by reduced external demand, reduced export prices, weaker remittances and tourism revenues, and greatly reduced capital inflows, particularly foreign direct investment. Grappling with the effects of climate change and food scarcity, alongside existing problems such as a small amount of fiscal revenue due to capital flight and tax evasion and debt burdens, these countries have had little budgetary space for maneuver to invest in their development. There is an urgent need to review current channels by which revenue is generated that moves away from the prevalent model of financing for development that presupposes the primacy of donor assistance and recognises the need to reinforce a country's ability to raise domestic resources justly and progressively.

#### 1. Tackling capital flight and tax evasion

**Table 3 - International tax cooperation is increasing at a snail's pace**

<b>Commitment/ Initiative</b>	<b>Target &amp; Indicators</b>	<b>Gap</b>
Monterrey Consensus on Financing for Development, Monterrey, 2002	Para 25: Sustain sufficient and stable private financial flows to developing countries and countries with economies in transition. Improve transparency and the information about financial flows.	
2005 World Summit	Para 24: Reduce capital flight and measures to curb the illicit transfer of funds.	In November 2006, the UN Tax Committee agreed to approve a code of conduct for co-operation on controlling capital flight and international tax evasion and avoidance known as the <i>United Nations Code of Conduct on Cooperation in Combating International Tax Evasion</i> . Still not been adopted.
International Conference on Financing for Development, Doha, 29 Nov. 2008	Para 16: Combat tax evasion by strengthening technical assistance and enhancing international cooperation and participation in addressing international tax matters, including in the area of double taxation. Economic and Social Council to examine the strengthening of institutional arrangements, including the United Nations Committee of Experts on International Cooperation in Tax Matters.	Several initiatives launched such as the Task Force on the Development Impact of the Illicit Financial Flows, International Tax Compact, the Task Force on Financial Integrity and Economic Development. However, chief bottle necks remain with the centralisation of decision-making on transparency standards in the International Accounting Standards Board, a non-transparent, private body; and lack of international political will to effectively tackle secrecy jurisdictions.

<sup>26</sup> World Bank, *Global Development Finance: Charting a Global Recovery*, Washington 2009.

Commitment/ Initiative	Target & Indicators	Gap
	<p>Para 25: Bilateral investment treaties, as well as tax treaties and other tax measures to facilitate foreign investments, to take into account regional and multilateral cooperation, including at the regional level.</p> <p>Promote good tax practices and avoid inappropriate ones.</p>	
<p>G 20 London Summit, April 2009</p>	<p>Para 15:</p> <ul style="list-style-type: none"> <li>– Action against non-cooperative jurisdictions, including tax havens. Sanctions to be deployed to protect our public finances and financial systems.</li> <li>– Accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards.</li> </ul>	<p>The OECD’s black-listing exercise has remained a token gesture with most secrecy jurisdictions finding easy ways to subvert listing. The OECD’s Tax Centre has launched a Forum in which developing countries are invited to participate. Unclear what the Forum will achieve.</p> <p>A Peer Review mechanism to determine implementation of international commitments on tax issues has been set up. The effectiveness of the mechanism has been questioned as no ranking system is intended based on the reviews.</p>
<p>UN Conference on the World Financial and Economic Crisis and its Impact on Development, June 2009</p>	<p>Para 38. Tax jurisdictions and financial centres to comply with standards of transparency and regulation.</p> <p>Para 39. Steps to be taken to curb illicit financial flows in all countries.</p> <p>Transparency of the global financial system to be improved.</p>	

Taxation is crucial for development, not only to finance it but also to foster economic independence and to strengthen democratic accountability and participation, both at the national and international levels. Cross-country cooperation, transparency of revenues and properly regulated financial institutions are central to enable governments to effectively mobilise resources from taxation. The commitments listed above recognise this and resolve to take action to tackle the obstacles preventing poor countries from effectively raising revenues through taxation. Yet, according to conservative estimates, Africa lost between \$854 billion and \$1.8 trillion in cumulative capital flight over the period 1970-2008. This figure would have been enough to repay the region’s total outstanding external debt and leave over \$600 billion for poverty alleviation and economic growth.<sup>27</sup>

<sup>27</sup> Global Financial Integrity. Illicit Financial Flows from Africa: Hidden Resources for Development. Dev Kar and Devon Cartwright-Smith. March 2010.

Domestic resource mobilisation efforts must be led and implemented by developing countries. Yet, there are external factors influencing countries' ability to effectively mobilize domestic resources:

- Poor countries are advised and often forced (through bilateral trade agreements and, debt relief or development assistance related conditionality for instance) to reform their tax systems as a way to increase revenues, enhance trade and/or attract foreign investors. Such advice mostly lacks coherence with broader development goals, disregards the distributional effect of taxation and the need for tax policy to be shaped through democratic political debate. Gender activists have expressed strong concerns for the increased incidence of taxation on the poorest women due to the reform of tax systems which, at the same time, fail to generate enough revenue to fund the programmes that women need to support themselves and their families.<sup>28</sup>
- Poor countries invariably on a weaker footing when negotiating bilateral trade agreements, risk losing revenue consequent to such agreements. For instance, Cape Verde is estimated to lose 19.8 per cent of revenues due to preferential elimination of tariffs on all imports from the EU due to the Economic Partnership Agreement between the country and the EU.<sup>29</sup>
- Globalisation has made capital very mobile with the ensuing tax competition to attract foreign investment. Tax competition directly leads to revenue losses. It is often due to multiple tax exemptions, tax holidays and lower corporate tax. Tax competition results in a shift to less progressive forms of taxation as a study of the flower industry in East Africa has clearly demonstrated.<sup>30</sup> To compensate for falling revenues, many countries resort to Value Added Taxes which are non-progressive and disproportionately affect poor women.<sup>31</sup>
- Countries lose considerable amounts of revenue due to the trade mispricing strategies of trans-national companies. Mali, for instance, is reported to lose the equivalent of 25.1 per cent of its total government revenue as a result of trade mispricing.<sup>32</sup>
- The growing openness of financial markets, cross-border investments and shopping around for the most convenient technical facilities have led to the mushrooming of tax havens or secrecy jurisdictions and are a direct obstacle to countries' ability to collect taxes.

Tackling these problems require joint efforts and international pressure. CIDSE therefore considers the lack of any reference to this crucial issue in the MDGs, in particular in MDG 8, a major omission. However, given the importance granted to international action to tackle capital flight and tax evasion and to the ability of countries to mobilize domestic resources for development in the Doha Declaration, it is surprising, and deeply disappointing, that there are only marginal references to it in the UN Secretary General's MDG Report.

The recognition by the G20 and most recently the European Commission<sup>33</sup> that they have a responsibility to tackle tax evasion and capital flight is an important step forward. Yet, important

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<sup>28</sup> Caren Grown and Imraan Valodia, Gender and Taxation systems, essay published in Tax Justice Focus, 2007, Vol. 3, No. 1, Tax Justice Network.

<sup>29</sup> Lawrence E. Hinkle and Richard S. Newfarmer, Risks and Rewards of Regional Trading Arrangements in Africa: Economic Partnership Agreements (EPAs) Between the EU and SSA, Washington 2005.

<sup>30</sup> Alvin Mosioma, The role of Tax incentives in encouraging harmful tax competition in the East African Flower industry, Paper presented at Conference Tax Havens- Who pays the Bill? May 2007, The Hague.

<sup>31</sup> See for instance Forum for Women in Democracy, Taxation: half the story of the budgeting process. Uganda Taxation Sector Gender Budget Analysis 2001/2002, Vol. 4, Aug. 2003.

<sup>32</sup> Ann Hollingshead, The Implied Tax Revenue Loss from Trade Mispricing, Global Financial Integrity, February 2010.

gaps remain in practice. The G20 exercise to reduce the number of secrecy jurisdictions has turned into little more than a formal exercise. The value of the peer group process launched by the Global Forum on Development of the OECD will have to be evaluated on the basis of a number of issues including their willingness to take up politically difficult issues like banking secrecy and revealing the beneficial ownership of trusts and shell companies, to include civil society in the exercise and whether the peer reviews are quickly translated into a public ranking exercise to implement sanctions against secrecy jurisdictions and to enhance the pressure on countries to fulfill international obligations. **Beyond these processes, important issues crucial to tackling capital flight and tax evasion need more political leverage. These include an international consensus to adopt the requirement of country-by-country reporting** as a global accounting standard to tackle the practice of transfer pricing by transnational companies and provide information needed for cost effective transfer pricing risk assessment of these companies by tax administrations with limited resources. Transparency requirements, especially regarding company ownership, information about income, benefits and payments made to governments, can also enhance the accountability of governments to citizens, in particular in the extractives sector. **Another important issue is securing a global agreement on automatic exchange of tax information through a multilateral convention. Finally, CIDSE believes that the UN should play a stronger role in harnessing international cooperation on tax issues through the ECOSOC and a strengthened and reformed Committee of Experts on International Cooperation in Tax Matters.**

#### **CIDSE recommends:**

By the September MDG Review Summit, donors should produce a package of specific measures on international tax cooperation that could massively increase developing countries' ability to generate domestic revenue through the tax system.

Such measures should include:

**i. An international requirement for listed companies to report financial activities including profits and tax payments on a country by country basis**

This would allow governments and civil society to hold companies to account for activities in each country, making it much harder for multinational companies to take advantage of accounting loopholes by profit shifting and transfer pricing abuse. The reporting obligations for each multinational company to report in each country in which it operates should include:

- the names of all its companies trading;
- details of its financial performance;
- details of its tax charges;
- details of the cost and net book value of its physical fixed assets;
- details of its gross and net assets.

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<sup>33</sup> Source: European Commission.

[http://ec.europa.eu/development/icenter/repository/COMM\\_COM\\_2010\\_0163\\_TAX\\_DEVELOPMENT\\_EN.PDF](http://ec.europa.eu/development/icenter/repository/COMM_COM_2010_0163_TAX_DEVELOPMENT_EN.PDF).

## ii. Strengthened judicial and tax cooperation

Tax evasion is a criminal act and should be treated as such. Prosecuting tax evaders will require strengthened judicial and tax cooperation between countries and must include a requirement to provide foreign judicial and tax authorities with bank information on individuals suspected of tax evasion. It should also be possible to blacklist tax havens anew for failing to cooperate with foreign judicial and tax authorities' investigations. At the MDG Review Summit, leaders should commit to reaching an agreement on the creation of a multilateral automatic tax information exchange convention in which all countries participate. Such an agreement should be based on existing information exchange standards, but with the potential for participants to agree to expand its breadth and depth.

## iii. The creation of a multilateral commitment that the beneficial ownership of all companies, trusts, foundations and *anstalten* are put on public record in all jurisdictions

Identifying the real owners and beneficiaries of any legal structure is central to combat both money laundering, corruption and tax evasion. This could be done by getting the OECD Financial Action Task Force (FATF), during the review of its 40+9 recommendations, to amend its recommendations 33, 34, and VIII so that a public register of such information is required. Strong counter-measures should be implemented against countries which wouldn't comply with such an obligation.

## iv. The UN Committee of Experts on International Cooperation in Tax Matters should be upgraded into an Intergovernmental Committee

Membership should be based on political representation which would expand on existing international efforts, especially by the OECD. This could eventually grow into an oversight and coordination body ensuring coherence and consistency across national tax authorities' rules.

## 2. The need for a structural overhaul of Official Development Assistance

Table 4 – Matrix on ODA commitments till September 2009<sup>34</sup>

Commitment/ Initiative	Target & indicators	Gap
Millennium Summit, New York, 2000	Target 8.B: "... and more generous ODA for countries committed to poverty reduction." Indicators: 8.1. Net ODA, total and to the least developed countries, as per cent of OECD/DAC donors' GNI. 8.2. Proportion of total bilateral, sector allocable ODA of OECD/DAC donors to basic social services. 8.3. Proportion of bilateral ODA of	No numerical targets set in MDG 8.

<sup>34</sup> MDG Gap Task Force Report 2009.

Commitment/ Initiative	Target & indicators	Gap
	<p>OECD/DAC donors that is untied.</p> <p>8.4. ODA received in landlocked developing countries as a proportion of their GNI.</p> <p>8.5. ODA received in small island developing States as a proportion of their GNI.</p>	
<p>Declaration and Programme of Action for the LDCs for the Decade 2001-2010 (2001) (also known as the Brussels Plan of Action)</p>	<p>(a) Donor countries providing more than 0.20 per cent of their GNI as ODA to LDCs: continue to do so and increase their efforts.</p> <p>(b) Other donor countries which have met the 0.15 per cent target: undertake to reach 0.20 per cent expeditiously.</p> <p>(c) All other donor countries which have committed themselves to the 0.15 per cent target: reaffirm their commitment and undertake either to achieve the target within the next five years or to make their best efforts to accelerate their endeavours to reach the target.</p>	<p>In 2007 ODA to LDCs was 0.09 of DAC donors' GNI. The total annual flow to LDCs would have to increase on average by \$15 billion (in 2008 prices) between 2009 and 2010 to reach the target.</p> <p>Only Belgium, Denmark, Ireland, Luxembourg, New Zealand, Norway and Sweden provide at least 0.15 of their GNI to LDCs.<sup>35</sup></p>
<p>Monterrey Consensus on Financing for Development, Monterrey, 2002.</p>	<p>Target: To make concrete efforts towards the target of 0.7 per cent of GNI as ODA to developing countries and 0.15 – 0.20 per cent of GNI of developed countries to least developed countries.</p>	<p>Aid resources were 0.30 per cent of the combined gross national income (GNI) of the 22 DAC member countries in 2008. The average effort of DAC members was 0.47 per cent. Denmark, Luxembourg, Netherlands, Sweden, and Norway were the only 5 countries that have met and surpassed the 0.7 per cent target.<sup>36</sup></p>
<p>Paris Declaration on Aid Effectiveness, 2005</p>	<p>Target: Ownership, alignment of aid, harmonization, management for results and mutual accountability</p> <p>Indicators: 12 targets, 15 indicators.</p> <p>For baseline results see page 22 of <a href="http://www.oecd.org/dataoecd/58/41/41202121.pdf">http://www.oecd.org/dataoecd/58/41/41202121.pdf</a></p>	<p>While progress has been made as measured by the 2008 Survey on Monitoring the Paris Declaration, the pace needs to step up a gear if the 2010 targets are to be met.</p>
<p>G8 Gleneagles, July 2005</p>	<p>Target: "On the basis of donor commitments ... the OECD estimates that ODA from the G8 and other donors to all developing countries will increase by around</p>	<p>Donors need to allocate an additional \$29.3 billion (2004 prices) a year in order to reach the target in 2010,</p>

<sup>35</sup> OECD DAC, 2007 data.

<sup>36</sup> OECD DAC, 2008 data.

Commitment/ Initiative	Target & indicators	Gap
	<p>\$50 billion a year by 2010, compared to 2004.”</p> <p>“The commitments of the G8 and other donors will lead to an increase in ODA to Africa of \$25 billion a year by 2010.”</p>	<p>out of which \$17.4 billion (2004 prices) or \$20.6 billion in 2008 prices should go to Africa.</p>
<p>European Union: 2002 Barcelona commitments and 2005 commitments</p>	<p>Target: For EU15 (“old” members), individual ODA target of 0.51 per cent of GNI by 2010 and collectively 0.7 per cent of GNI by 2015.</p> <p>For EU 10 (“new” members), individual target of 0.17 per cent of GNI by 2010 and collectively 0.33 per cent of GNI by 2015.</p>	<p>EU 15 achieved 0.42 per cent in 2008; Greece, Italy and Portugal were below 0.36 per cent target set for 2006; Denmark, Ireland Luxembourg, Netherlands and Sweden<sup>37</sup> had already passed 0.51 per cent target for 2010.</p>
<p>2005 World Summit</p>	<p>Commitment to the global partnership for development set out in the Millennium Declaration, the Monterrey Consensus and the Johannesburg Plan of Implementation were reaffirmed.</p>	<p>No new numerical targets set.</p>
<p>MDG High Level Event, 2008</p>	<p>Target: Commitments were made by donor countries amounting to \$17.6 billion towards the MDGs.</p>	<p>It is not clear whether these are additional to previous commitments.</p>
<p>International Conference on Financing for Development, Doha, 29 Nov. 2008</p>	<p>Commitments from the Monterrey Consensus were reaffirmed.</p>	<p>No new numerical targets were set.</p>
<p>G 20 London Summit, April 2009</p>	<p>Target: Leaders of the Group of Twenty (G-20) committed “to treble resources available to the IMF to \$750 billion, to support a new SDR allocation of \$250 billion, to support at least \$100 billion of additional lending by the MDBs, to ensure \$250 billion of support for trade finance, and to use the additional resources from agreed IMF gold sales for concessional finance for the poorest countries, [this would] constitute an additional \$1.1 trillion programme of support to restore credit, growth and jobs in the world economy.”</p>	<p>It is not clear whether these are additional to previous commitments.</p>
<p>G8 - L’Aquila Summit, July 2009</p>	<p>Target: The G8 committed to mobilize \$20 billion over three years through a coordinated, comprehensive strategy focused on sustainable agriculture development, and to ensure adequate emergency food aid assistance.</p>	<p>It is not clear whether these are additional to previous commitments.</p>

<sup>37</sup> OECD DAC, 2008 data.

The MDG Report from the UN Secretary General reflects trends indicated in the above table when it points out: “Although ODA reached its highest level ever in 2008, there remain large gaps in meeting existing and long-standing commitments”. The Gleneagles Group of Eight (G-8) ODA target for 2010 is approximately \$154 billion in present values, and additional flows of \$35 billion by 2010 will need to be delivered this year to achieve this target. Africa would need an extra \$20 billion of the increase in ODA in 2010 in order to reach the Gleneagles target level of \$63 billion for the region by 2010. In 2007, ODA to the least developed countries was equivalent to 0.09 per cent of the gross national income of the countries of the Organisation for Economic Cooperation and Development (OECD), with less than half of the OECD Development Assistance Committee (DAC) countries meeting the 0.15 to 0.20 per cent target for aid to the least developed countries.<sup>38</sup>

Facing the reality of a short-fall in their commitments many donors are likely to resort to face-saving devices like ‘dressing-up’ their development assistance figures. This is reflected in the most recent figures released by the Development Assistance Committee of the OECD in April 2010.<sup>39</sup>

- Switzerland for instance recorded an increased volume of its development assistance in 2009, an increase that can be attributed to a combination of special debt relief for Togo and increased costs for asylum seekers being counted in its ODA.
- ODA levels in Germany and Austria shrank in 2009 because no major debt relief was given.<sup>40</sup>
- 8.7 per cent of French increases in ODA in 2009 can be accounted for by debt relief and 7 per cent of ODA was due to financing foreign students.

With falling revenues and greater budgetary constraints due to the financial crisis, the short fall of actual resource transfers through development assistance also impacts on recipient countries’ abilities to sustain investments in the social sector - which women are directly affected by.

A study of the impact of the financial crisis on women in East Asia points out that a smaller amount of donor money and less government support have directly impacted women.<sup>41</sup> Several strict regulations and rules make it less likely that women will receive loans. In the Philippines, the UN Population Fund-Philippines reports that women make up the majority of microfinance clients (85 per cent of the poorest 93 million clients of microfinance institutions in 2006) and as credit dries up, their earning from micro-businesses will drop. This, in turn, means less income for them, less decision-making power, decreased capability to allocate resources towards health services or health fees, and worse nutrition for themselves and their children.

#### **CIDSE recommends:**

##### **i. A legal framework to enforce ODA obligations**

Failure of donors to live up to their commitments calls for a new approach to secure greater accountability and transparency. **CIDSE believes that ODA commitments should become legal obligations in order to make donors accountable to the**

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<sup>38</sup> Para 83. Keeping the Promise.

<sup>39</sup> DAC website, published 14/04/2010 -

[http://www.oecd.org/document/11/0,3343,en\\_2649\\_34487\\_44981579\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/11/0,3343,en_2649_34487_44981579_1_1_1_1,00.html).

<sup>40</sup> <http://www.eurodad.org/whatsnew/articles.aspx?id=4082>.

<sup>41</sup> Oxfam GB Research Report. Women Paying the Price: the impact of the global financial crisis on women in Southeast Asia. Yada Praparpun. Associate Professor, Department of Economics, Ramkhamheang University, Thailand, February 2010.

**citizens of their own countries and ultimately to the main beneficiaries of development assistance in recipient countries.**

Forms of such legally backed ODA obligation do exist or are under discussion:

- Belgium has enforced legislation on its ODA commitment.<sup>42</sup>
- The UK has draft legislation to make the commitment to reach 0.7 per cent GNI by 2013 a legal duty.
- Switzerland is considering introducing legal commitments on an ODA target.<sup>43</sup>

## **ii. Increasing the positive impacts of development assistance in people's lives**

CIDSE has criticised the MDGs for taking on a technocratic, minimalist approach to poverty reduction. Similarly, the current agenda to increase the effectiveness of official development assistance - typically represented by the Paris Declaration on Aid Effectiveness - is restricted to addressing current problems with development assistance with technical indicators and benchmarks. CIDSE does recognise that some efficiency gains could be booked by donors if they implement the principles of harmonisation, ownership, alignment, mutual accountability and managing for results that are laid down by the Paris agenda. In this sense, we recognise the call the UN Secretary General makes in his MDG report to urgently implement the principles and practices set out by the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action and to eliminate onerous conditionalities.

At the same time, we stress that the Paris agenda cannot automatically be assumed to achieve effective development. The agenda has disassociated the issue of effectiveness of development assistance from the broader development process. Indicators of development effectiveness, such as the realisation of human rights, environmental sustainability and gender equality, which are the fundamental cornerstones for achieving good development results are not addressed as the desired end results of effective aid from government to government.

CIDSE believes that essential questions like what development assistance is spent on, who decides on its allocations and how this is done and how development assistance is managed are crucial to be included in the agenda for ensuring that development assistance has a positive impact on people's lives.

Donors must look beyond **the current, narrowly defined aid effectiveness agenda to develop a rights-based approach to development assistance, implementation and monitoring.** Such an approach enshrines the principles of participation, accountability and transparency, and provides a framework for action that guides governments and other actors to focus on and empower the most vulnerable, the poorest and the most marginalized. **Making all policy coherent with poverty eradication goals in particular and human rights obligations in general should be an important goal of the aid effectiveness agenda.**

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<sup>42</sup> Belgian legislation requires a 'solidarity note' to be presented in parliament, alongside the annual budget, setting out how the target will be reached. [http://www.dgci.be/fr/dgced/documents\\_politiques/moniteur\\_loi\\_021231.pdf](http://www.dgci.be/fr/dgced/documents_politiques/moniteur_loi_021231.pdf).

<sup>43</sup> Written evidence submitted by Karen Jorgensen, OECD to House of Commons International Development Committee. Recorded in the Seventh Report of the Committee's session 2009-10. <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmintdev/404/404.pdf>

### **3. Financial transaction Taxes to tackle global systemic weaknesses and generate resources for development**

With the donors best efforts to increase the efficiency of their development assistance and even if current commitments to step up development assistance were fulfilled, reaching the MDGs, combined with the challenges posed by climate change and the continuing instability of the global economic system necessitates innovative measures in addition to existing approaches. CIDSE has long advocated for serious political consideration of an innovative mechanism such as a Currency Transaction Tax and more recently the general Financial Transactions Tax (FTTs) that would tackle systemic weakness while generating massive resources for development.

#### ***FTTs as an instrument to reduce destabilising impact of financial markets***

In the industrialised world, eurozone countries directly experienced the dangers of unbridled speculation on their currency and economic situation during the Greek economic crisis. Germany has responded by stepping up regulation.<sup>44</sup> The government is also under significant political pressure to implement FTTs. Other European countries are deliberating their own policy responses to regulate the financial markets.

Against this backdrop CIDSE believes that FTTs are a worthy instrument that governments should adopt to limit the destabilising impact of financial markets. According to the Austrian Institute for Economic Research (WIFO), which has done pioneering research on FTTs, such taxes would increase the cost of speculative trading and thus help mitigate fluctuations of asset prices in stock markets, of exchange rates and commodity prices. At the same time it will have a minimal effect on the real economy as the tax would be limited to transactions between financial market actors while transactions between customers and financial institutions, for example the purchase of goods, labour market transfers and so on, would be exempt.

#### ***FTTs' potential to generate large volumes of revenue***

All estimates suggest that substantial revenues can be achieved with a very low tax rate between 0.01 per cent and 0.1 per cent. Possible revenues would depend on the rate and scale of introduction. Even when assuming a reduction of transaction volumes due to taxation in North America and Europe, estimated tax revenues would range between 0.5 per cent and 2.4 per cent of world GDP if all transactions are covered. CIDSE believes that the revenue should be used to finance development, including and beyond the Millennium Development Goals, and other global imperatives such as combating climate change.

Recent studies by the International Monetary Fund and the European Commission have acknowledged the popular support and the feasibility of FTTs even though they raise questions of practicability, political acceptability and their overall value. Independent research and experts have countered these criticisms with sound arguments pointing to the bias in these studies' arguments. CIDSE is convinced of the feasibility of FTTs given the use of standardised electronic settlement systems. Circumvention of electronic platforms would be very costly and hence unlikely.

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<sup>44</sup> In mid-May 2010 Germany banned 'naked short-selling' a form of speculation whereby financial market traders sold financial paper that were not even in their possession.

From a civil society perspective, it is clear that presently the only obstacle that remains in the way of adopting a global Financial Transactions Tax is political will.

**CIDSE recommends:**

**Leaders use the opportunity of the MDG Review Summit to reach a global agreement to implement a FTT**

The agreement should include the following points:

- Implementation: introduction of a general and **uniform financial transaction tax on a step by step basis** to cover all spot and derivate transactions on organized exchanges.
- Use of revenues: as the organization that represents the interests of all countries of the globe, whether least developed countries, emerging economies or industrialized countries, **the UN should play an instrumental role in determining the destination of the revenue** generated by FTTs.
- Governance of funds and representation: proceeds from a FTT need to be administered in a responsible and accountable manner. Representative democratic governance of funds is imperative. Decisions on questions of administration and allocation of revenue should be placed in a **multilateral setting on the basis of equal rights of all actors and the inclusion of a wide range of stakeholders**.
- Additionality: the UN should play a key role in safeguarding the **additionality of resources** generated by FTTs to traditional sources of development financing; in ensuring that resources are administered and utilized based on principles that guarantee their desired impact and that policies concerning the FTT, its enactment and governance of its proceeds are coherent with the universal objectives of the UN to uphold human rights and international cooperation, achieve justice and human progress and respect international law.

**4. Debt**

**Table 5 - Debt relief commitments: only half fulfilled<sup>45</sup>**

Commitment/ Initiative	Target & Indicators	Gap
Millennium Summit, New York, 2000 – MDG-8	Para 8: ‘Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long run.’ Para 8B: ... ‘enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt... for countries committed to poverty reduction’.	The debt problems of developing countries are not being dealt with comprehensively, although substantial progress has been made for countries eligible for HIPC and MDRI. The HIPC Initiative has been complemented by the Multilateral Debt Relief Initiative. However, 14 countries have yet to reach HIPC

<sup>45</sup> MDG Gap Task Force Report 2009. Author’s note: The subset of countries listed under the Target is *all* ‘developing countries’, which is larger than the list of countries for the HIPC and MDRI debt relief instruments.<sup>2</sup> By contrast, Indicators 8.10 and 8.11 under Target 8.D relate only to this smaller HIPC subset.

Commitment/ Initiative	Target & Indicators	Gap
	<p>Indicators:</p> <p>8.10. Total number of countries that have reached their HIPC decision points and number that have reached their completion points (cumulative).</p> <p>8.11. Debt relief committed under HIPC initiative.</p> <p>8.12. Debt service as a percentage of exports of goods and services.</p>	<p>completion point (9 countries between decision point and completion point; and 5 others have not yet reached the decision point).</p> <p>Middle and low-income countries suffering from debt distress, but not eligible for the HIPC initiative, have no access to debt relief or to orderly sovereign debt workouts.</p>
HIPC 1996, enhanced in 1999	Target: Reduce external debt of poorest countries to sustainable level.	<p>The HIPC Initiative and the MDRI have reduced substantially the debt burdens of the 26 post-completion-point HIPCs. However, only 10 of them are classified as “low risk” of debt distress, showing that many remain vulnerable.</p> <p>Some creditors have not fully delivered their share of HIPC relief.</p>
G8 Gleneagles, July 2005 MDRI, 2006	<p>Target: Cancel 100 per cent of outstanding debts to HIPC countries reaching completion point through the Multilateral Debt Relief Initiative (MDRI). IMF, International Development Association and African Development Fund to cancel 100 per cent of eligible debt claims on HIPC countries reaching completion point. In 2007 the Inter-American Development Bank provided similar debt relief to HIPC countries in Latin America.</p>	14 countries have yet to reach the HIPC completion point, thus have not benefited from the MDRI.
MDG High Level Event (HLE), September 2008	Target: China committed to cancelling outstanding interest free loans extended to LDCs before the end of 2008.	No information on the volume of debt and the number of countries involved.
Doha Review Conference on Financing for Development 29 Nov. 2008	Lending countries promised to intensify their “efforts to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution, in cooperation with the private sector, and by finding solutions that are transparent and agreeable to all.”	No numerical or additional targets were set.

Commitment/ Initiative	Target & Indicators	Gap
G-20 meeting, 2 April 2009	Leaders of the Group of Twenty (G-20) reaffirmed their commitment on debt relief and agreed to provide \$6 billion of additional concessional and flexible finance to the poorest countries over the next two to three years.	
UN Conference on the World Financial and Economic Crisis and its Impact on Development, June 2009	Called on States to redouble efforts to honour their commitments regarding debt relief, enhanced approaches to the restructuring of sovereign debt and explore the need and feasibility of a more structured framework for international cooperation in debt resolution; developing countries have a right to impose temporary capital restrictions and seek to negotiate agreements on temporary debt standstills between debtors and creditors, in order to help mitigate the adverse impacts of the crisis and stabilize macro-economic developments.	No numerical or additional targets.

International commitments made under the Heavily Indebted Poor Country initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) were intended to reduce the debt burden of poor countries to sustainable levels to ensure that no country faces a debt burden that it cannot manage. As reflected from the above table, the UN Secretary General's MDG Report points out that by September 2009, 35 out of the 40 eligible countries had qualified for debt relief under HIPC and MDRI. However, the debt of only 26 of the 35 countries had actually been reduced to the levels committed to under the two initiatives.<sup>46</sup>

Countries that have had their debt burdens reduced have been able to invest significantly more in development. In Mozambique, for instance, where poverty reducing expenditures has tripled from \$792 million to over \$2 billion, partly as a result of debt reductions, 120,000 more women per year were able to give birth in a hospital or clinic.<sup>47</sup> In the financial crisis, countries that had benefitted from debt reductions have had greater breathing room for their own fiscal stimulus responses.<sup>48</sup> But many countries remain burdened by unsustainable debt levels. The financial crisis has further prevented countries with considerable debt burdens from investing in development priorities. Recent data from the IMF and World Bank revealed that up to 37 low income countries are at a high risk of debt distress due to the ongoing global crisis.<sup>49</sup>

<sup>46</sup> Keeping the Promise, UN SG MDG Report, 2010.

<sup>47</sup> DFID: <http://www.dfid.gov.uk/Media-Room/News-Stories/2010/Debt-relief-in-Mozambique/>.

<sup>48</sup> UNDP: <http://www.undp.org/africa/africaviewpoint/2009-july.pdf>.

<sup>49</sup> <http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1170954447788/3430000-1266857316075/2010Tunis01Joly.pdf>.

CIDSE has long argued that the main reasons for the failure of existing initiatives can be found in the current creditor-dominated approach to debt cancellation:

- Many countries with illegitimate/odious debts have been left out of existing debt relief initiatives.
- Since the initiatives consisted of one-off, ad hoc sets of debt reductions, they did nothing to address the traditional power imbalances between creditors and debtors.
- Harmful, one-size-fits-all conditionalities imposed by International Financial Institutions (IFIs) were not removed. On the contrary, they were made a requirement to access debt relief.
- Except for debts owed to the IMF, the mechanism chosen for debt relief consisted of gradual provision of grants to meet debt service and principal obligations as they become due. With regards to the debts of several beneficiary countries to the International Development Association (IDA) and the African Development Bank, this meant less than full additionality of resources.

### *Need for a just and effective approach to debt in view of 2015 deadline*

Five years to the MDG deadline, unsustainable debt levels should not be allowed to prevent countries from fulfilling their MDG commitments. The overall system of borrowing and lending and dealing with sovereign debt crises with creditors in the driver's seat dictating conditions for lending and debt cancellation must be overhauled for the MDGs to be reached and for progress booked already to be sustained even after the 2015 deadline.

### **CIDSE recommends:**

#### **Concrete agreements on debt in the outcomes of the MDG Review Summit**

- A commitment to **end binding onerous ex-ante conditionality**, in particular regarding economic policy, to debt relief operations.
- A commitment to **review debt cancellation needs** for countries, especially those not yet considered in existing debt relief operations on the basis of financing requirements required for achieving the MDGs and broader development goals, as already agreed in Monterrey.
- An agreement on a process to develop, in cooperation with other agencies with relevant expertise, a **binding, independent and predictable framework for arbitrating** on sovereign debt claims. This was a commitment in the Monterrey Consensus, repeated in the Doha Review in 2008. There is no excuse for further delay.
- With regard to **vulture funds**:
  - Following the precedent set by UK legislation on vulture funds, a commitment to **change national laws**, particularly in countries such as the USA and France, whose jurisdictions vulture funds exploit the most to take action against countries just recovering after debt cancellation, to end this phenomenon.
  - An agreement to free up **funds to give judicial and financial assistance** to countries in case they are taken to court by vulture funds.
- A recognition of the existence of **illegitimate debt** and efforts of countries to investigate illegitimacy of their debts and commitment to cancel debts demonstrated to be illegitimate.

## 5. International Financial Institutions' governance reform: some positive developments but greater efforts still required

Table 6 - Commitments for governance reform still do not live up the spirit of a global partnership for development

Commitment/ Initiative	Target & Indicators	Gap
Monterrey Consensus on Financing for Development, Monterrey, 2002.	<p>Para 62:</p> <ul style="list-style-type: none"> <li>• International Monetary Fund and World Bank: to continue to enhance participation of all developing countries and countries with economies in transition in their decision-making.</li> <li>• Ad hoc groupings that make policy recommendations with global implications to continue to improve their outreach to non-member countries, and to enhance collaboration with the multilateral institutions with clearly defined and broad-based intergovernmental mandates.</li> </ul>	<p>As a result of voting reforms undertaken in the International Monetary Fund, it was committed that 2.7 percent of voting power would go from developed to developing countries, a reform that has not yet been implemented for lack of sufficient ratifications by members. Several individual developing countries will see their voting power reduced. The size and composition of the Board remain unaltered. The quota formula was partially changed but continues to reflect a strong bias towards “supply” variables - those that favor developed countries - as opposed to “demand” ones.</p> <p>As a result of voting reforms undertaken in the World Bank, agreement has been reached to increase the total vote of developing and transition countries in a total of 4.59 percent. Part of the increase depends on changes to the Articles of Agreement whose ratification still has not been done by the necessary number of members, while the rest depends on a selective capital increase that is being implemented. Several small and poor countries will see their individual voting power reduced. The addition of a new chair in the Board, to represent African countries’</p>
2005 World Summit	<p>Para 38: United Nations to play a fundamental role in the promotion of international cooperation for development and the coherence, coordination and implementation of development goals and actions.</p>	
International Conference on Financing for Development, Doha, 29 Nov. 2008	<p>Para 68: Strengthen the voice and participation of developing countries and countries with economies in transition in international decision-making and norm-setting.</p>	
G 20 London Summit, April 2009	<p>Para 20: IFI mandates, scope and governance to be reformed to reflect changes in the world economy and so that emerging and developing economies, including the poorest, must have greater voice and representation.</p> <ul style="list-style-type: none"> <li>• IMF quota and voice reforms agreed in April 2008 to be implemented and IMF to complete the next review of quotas by January 2011.</li> <li>• World Bank reforms agreed in October 2008 to be implemented. Accelerated voice and representation reforms to be</li> </ul>	

Commitment/ Initiative	Target & Indicators	Gap
	<p>agreed by the 2010 Spring Meetings.</p> <ul style="list-style-type: none"> <li>• Heads and senior leadership of the international financial institutions to be appointed through an open, transparent, and merit-based selection process.</li> </ul>	<p>constituencies, has been decided but not implemented. The formula for shareholding alignment has been partially revised but is still too close to the IMF formula - therefore reflective of this latter's shortcomings. It does not take into account differences derived from the World Bank's development mandate and still falls short of leading to the equitable voting power distribution between developed and developing countries.</p>
<p>UN Conference on the World Financial and Economic Crisis &amp; its Impact on Development, June 2009</p>	<p>Para 44: Expeditious completion of the reform process of the World Bank's governance and of an accelerated road map for further reforms on voice and participation of developing countries, with a view to reaching agreement by April 2010.</p> <p>Para 47: Comprehensive and fast tracked reform of the IMF.</p> <p>Para 49: Heads and senior leadership of the international financial institutions, particularly the Bretton Woods institutions, should be appointed through open, transparent and merit-based selection processes, with due regard to gender equality and geographical and regional representation.</p>	<p>Opportunities to strengthen the role of the UN in global economic governance through, for instance, a strengthening of the Financing for Development follow-up process or the establishment of a Global Economic Council within the UN framework was not agreed, due to opposition from developed countries.</p>
<p>G20 Pittsburgh Summit, September 2009</p>	<p>Para 20: Shift of IMF quota share to dynamic emerging markets and developing countries of at least 5 per cent from over-represented countries to under-represented countries.</p> <p>Para 21: Call for dynamic formula in World Bank which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates an increase of at least 3 per cent of voting power for developing and transition countries, to the benefit of under-represented countries.</p>	

Hit by the financial crisis, many countries - whether industrialised, emerging economies or poor - have sought IMF assistance but only as a last resort. Their reluctance indicates the recognition that such assistance comes at a great price for the social and economic well-being of their economies. IMF programmes, which in practice are imposed and implemented with little democratic scrutiny, predominantly require a reduction in state budgets, often achieved through decreasing employment. Within state employment, women are concentrated in the clerical and lower administrative positions, and these lower-skilled jobs are among the first eliminated when

the state must reduce payroll.<sup>50</sup> In addition, reductions in state spending on social services cut teaching and nursing positions, which are predominantly female due to societal notions of acceptable “women’s work.”<sup>51</sup>

Unfortunately with the crisis the IMF, an institution which is outdated and was desperately seeking a new lease of life, was given considerable responsibility to assist countries in dealing with the crisis, reflected in the above table of commitments while failing to demand substantial reforms.

The reform agenda of the World Bank seems to follow a similar course of gaining more power without being put under any greater pressure to reform. The World Bank Development Committee agreed in April 2010 on a 3 percent increase in voting power of developing and transition countries. Whilst better than nothing, these reforms fall far short of an equitable redistribution of power, and yet increased the financial resources available to the Bank. Action on effectiveness was postponed to the Annual Meetings thereby raising concerns that the increased resources would continue to be spent on projects and reforms that have little or no poverty reducing impact.<sup>52</sup>

CIDSE believes that the current International Financial Institutions’ reform agenda falls far short of the spirit of the global partnership for development set out in MDG 8. Much still needs to be done in this field if a true global partnership for development is to be forged.

#### **CIDSE recommends:**

**i. A mandatory requirement for proper and ex-ante parliamentary approval of all IMF and World Bank programmes in a country**

Representatives of a country on the Boards of the institutions must be made to regularly account to a national parliamentary committee or another representative forum for all the positions they take at the Board. Governments should be held accountable by public representatives and civil society for the implications of loans contracted, as should the institution which grants the loan.

**ii. Demand-oriented variables to be considered in determining voting rights**

The current formula to determine voting rights in the IMF should be amended to include greater consideration of ‘demand-oriented’ variables that may favour developing countries as against ‘supply-oriented’ ones that prevail today. A similar process should be set in motion for the World Bank - more urgently than the foreseen review of shareholdings scheduled for 2015 - and that also takes the development mandate of this institution into account.

**iii. Increasing the proportion of developing country Board seats**

Constituencies represented by each Executive Director should be reshaped with a ceiling of no more than 10 countries per constituency being established. In the short term, the

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<sup>50</sup> Murphy, Emma C. “Women in Tunisia: Between State Feminism and Economic Reform.” *Women and Globalization in the Arab Middle East*. Boulder, CO: Lynne Rienner Publishers, 2003.

<sup>51</sup> Nasser, Heba. “Egypt: Structural Adjustment and Women’s Employment.” *Women and Globalization in the Arab Middle East*. Boulder, CO: Lynne Rienner Publishers, 2003.

<sup>52</sup> <http://siteresources.worldbank.org/NEWS/Resources/FinalCommunique.pdf>.

practice of noting dissenting votes in the constituency should be formalised and institutionalised as standard practice.

**iv. Mainstreaming double-majority for policy decision-making**

The double-majority requirement should be mainstreamed for policy decision-making in the IMF and World Bank. An interim step could be the immediate introduction of this system in the IMF for decisions related to its mandate to ensure global financial stability.

**v. The IFIs should abide by the mandates of UN agencies**

The Relationship Agreements linking the IMF and World Bank respectively with the UN should be renegotiated to enhance the role of the UN and to ensure that IFIs fully abide by the mandates of other UN agencies, funds and bodies, particularly those with non-economic mandates. Clear legal principles for addressing conflicts of interest between the IFIs and other UN bodies, agencies and fora should be established.

#### IV. NEXT STEPS: A COHERENT FRAMEWORK OF COMMITMENT AND ACCOUNTABILITY

The MDGs represented an important step by the international community to set itself a deadline to meet a few targets, as deficient as they may be. The September MDG Review Summit potentially represents the last time that leaders will come together to assess progress to fulfil their commitments and announce next steps. We are therefore at a crucial moment to define a framework of commitments that harnesses the momentum for governmental accountability set in motion by the MDGs after their 2015 deadline.

Research recently conducted in Kenya has highlighted the importance of the reflection process which allows sufficient time and opportunity for all stakeholders, official and civil society, to feed in their perspectives.<sup>53</sup> As part of the MDG Review Summit's outcome, leaders should announce their attention to continue to hold themselves accountable to time-bound commitments.

##### **CIDSE recommends:**

##### **i. Framing development commitments to take account of all UN conventions**

Commitments should be framed to take account of the entire body of UN conventions and the values and principles articulated within them. Positive developments in international human rights law which have taken place since the MDGs were agreed such as the agreement on an Optional Protocol to the International Covenant on Economic, Social and Cultural Rights need to be reflected. The effect of the agreement on the Optional Protocol means that in future, the failure to deliver a set of goals like the MDGs, (since they mainly derive from various ESC rights) would be a breach of international law and could be pursued as such once national remedies have been exhausted (in countries which have signed the Optional Protocol). **Placing future common goals and processes in a rights framework would strengthen the common objectives and bring greater clarity on the link between citizens' rights and governments' responsibilities.**

##### **ii. Process, not just outcomes, must be accorded equal importance**

More broadly, commitments should reflect the importance of *processes* (not just outcomes) to development. The MDGs elevate outcomes far above the means by which these outcomes are achieved but achieving these outcomes without scratching the surface of the target to see which 50 per cent have been helped out of extreme poverty or how many girls enrolled in primary school go on to secondary school raises important issues of equity and sustainability which the MDGs, as currently framed, are powerless to address.

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<sup>53</sup> Pollard, Sumners et al, forthcoming.

iii. **Informed local ownership and multi-stakeholder participation should be at the heart of national development processes**

Commitments should be framed to ensure that **informed local ownership and multi-stakeholder participation are at the heart of national development processes.** This may be slow, messy and unpredictable but it is the best way of ensuring relevance, effectiveness and sustainability.

**Box 3: Informed local ownership**

*When civil society is disempowered, country processes are very suspect; local processes only work if you have empowered societies. There is a big difference between just putting a structure in place and really going through a process to develop informed, engaged participation. You can't just go to communities that have been oppressed for 100 years and expect them to drive development agendas.*

John Batten, Poverty Eradication Network, Kenya

iv. **Specificity of country contexts should be recognized in setting targets**

The emphasis on targets has been detrimental to development, and should be reviewed. Whilst an element of target setting should be retained, targets should take account of country contexts and allow national development frameworks to predominate which would themselves be aggregated up into an international framework. This approach would also create policy space for other issues to be prioritized which may not fit neatly into the current scheme.

## CONCLUSION

While some progress has been made, several gaps remain to be filled if the MDGs are to be achieved. Many of the barriers standing in the way of the MDGs' achievement are *structural* and will require the industrialised world to come up with an additional display of political will and determination to overcome. This is particularly true for the goal 8 targets where greater individual effort and faster systemic reform of the international financial and trading systems are the only ways of ensuring developing countries have a fair chance of meeting their own international MDG commitments.

The complex process of rights-based development has long been the story of two steps forward one step back. Five years to the deadline to fulfill our MDG commitments, our leaders must realise that we need to depart from the 'business as usual' approach. The UN Review Summit must serve as an important turning point towards a new approach which:

- Serves the well-being of all, beginning with the most vulnerable.
- Recognises that the earth's resources are finite and should be used with care, recalling that our actions impacts on the lives of coming generations. Additionally, the earth's resources belong to all thereby implying that wealth generated from their use must be equitably distributed.
- Recognises that poverty is taking new and different proportions as a result of climate change, and growing inequality in the world.

World leaders risk a second 'Copenhagen moment' this coming September unless they can agree that they have what it takes to achieve social and economic justice for all the world's people.