



G8 SUMMIT, L'AQUILA, ITALY - 8-10 JULY 2009

CIDSE – Caritas Internationalis BRIEFING

CIDSE (www.cidse.org) is an international alliance of Catholic development agencies working together for global justice.

Caritas Internationalis (www.caritas.org) is the biggest network of Catholic charities in the world. It works through its 162 national members to combat poverty and injustice.

Introduction

The G8¹ meets in L'Aquila, Italy from 8-10th July 2009 in a critical year for international development. The global economic crisis is threatening gains made in reducing poverty over the last ten years. Furthermore, currently the most significant multilateral negotiations – the UN Framework Convention on Climate Change - are due to culminate in Copenhagen at the end of this year. CIDSE and Caritas have had longstanding concerns with the accountability and legitimacy of the G8. Now with the rise of similar exclusive fora including the G20 and the MEF (Major Economies Forum) as fora where the leaders of the most powerful countries discuss the global economic crisis and climate change respectively, the G8 is further challenged to prove its relevance.

Addressing the Financial Crisis

The current unprecedented economic and financial crisis dramatically demonstrates the inequity and unsustainable nature of current models of growth and the failure of an economic system based on unlimited market freedom and deregulation. The impact of the crisis has been asymmetric hitting vulnerable developing countries hard. With foreign direct investment, migrant remittances and ODA flows diminishing, the ability of these countries to respond to the crisis and reduce its tremendous human and social costs is minimal.

Urgent and coordinated international action to counter the adverse impacts of the economic crisis on poor countries and safeguard already achieved progress towards the MDGs is needed. To this end, it is crucial to guarantee sufficient policy space for developing countries to domestically mobilise resources in addition to international commitments for fighting illicit capital outflows, including tax evasion, and reaching internationally agreed levels of ODA (0.7% ODA of GDP). Moreover, the global economic system requires fundamental transformation coupled with a serious overhaul of relevant international economic and financial organisations.

Aid and Accountability

Development assistance remains the subject on which each of the G7 donor nations (G8 excluding Russia) has made the clearest commitments, dating back to 2005. The EU member states in the G8 (France, Germany, Italy and the UK) agreed to reach the minimum individual country target of 0.51 per cent of GNI by 2010. The non-EU nations have also made commitments, but at substantially lower levels than their EU counterparts. The following table shows development assistance for 2008 and the amount by which this has to increase to meet 2010 commitments (all figures courtesy of OECD DAC):

¹ The G8 consists of the world's richest countries: Canada, France, Germany, Italy, Japan, the United States, the United Kingdom and Russia.

	Development assistance in 2008		2010 commitment		Increase needed from 2008	
	USD million 2008	% GNI	USD million 2008	% GNI	USD million 2008	%
Canada ²	4,725	0.32	4,875	0.34	150	3
France	10,957	0.39	13,909	0.51	2,952	27
Germany	13,910	0.38	17,687	0.51	3,777	27
Italy	4,444	0.20	10,866	0.51	6,423	145
Japan ³	9,362	0.18	13,310	0.28	3,948	42
United States ⁴	26,008	0.18	27,647	0.20	1,639	6
United Kingdom ⁵	11,409	0.43	14,243	0.56	2,834	25

- **All countries should reaffirm their commitments to agreed aid targets.**
- **To improve accountability all G8 members should sign up to the International Aid Transparency Initiative (IATI) and ensure the agreement of standards and their implementation by 2011. This requires donors to publish information in a format that delivers the ability to coordinate, compare and contrast the use of external/G8/donor's assistance with each other and also recipient efforts.**
- **The 2009 G8 Summit should support G8 accountability by ensuring that each new G8 commitment, as well as existing commitments which it reaffirms, is tied to a means to verify the progress in attaining it.**

Innovative resources for financing development

This issue has progressively gained attention since the 2002 United Nations International Conference on Financing for Development in Monterrey and the establishment of the Leading Group on Innovative Financing for Development. In its recent Sixth Plenary Meeting in Paris in May 2009, the latter has officially recognised the considerable potential of

² Canada intends to double its 2001 International Assistance Envelope (IAE) level by 2010 in nominal terms. The Canadian authorities estimate ODA (composed in large part from the IAE) will be 5.1 billion Canadian dollars in 2010. The ODA figure shown here is adjusted for inflation and converted to USD at the 2008 exchange rate.

³ Japan intends to increase its ODA by USD 10 billion in aggregate over the five years 2005-2009 compared to 2004. The OECD Secretariat's estimate assumes USD 4.39 billion extra in 2009, compared to 2004, and uses this figure for 2010, supposing that the volume of net ODA in 2009 will be maintained. No adjustment is made for inflation.

⁴ The United States does not issue or approve forecasts on projected ODA. The amount shown here is purely an estimate made by the OECD Development Assistance Committee. It is based on 2004 ODA plus USD 5 billion nominal per annum to cover the Gleneagles G8 commitments on increased aid to sub-Saharan Africa, Millennium Challenge Account, and initiatives on HIV/AIDS, malaria and humanitarian aid.

⁵ In the April budget it was announced that UK development assistance in 2010-11 would be £9.1 billion. This represents an average real growth rate up to 2010-11 of 11.4% per year which means according to DFID that UK ODA will exceed the EU average target of 0.56% of GNI in 2010.

a Currency Transaction Tax (CTT) to contribute to a more equitable distribution of wealth and curb harmful financial speculation while simultaneously raising resources for financing development.

- **We call upon G8 governments to agree to introduce a pilot CTT to gain experience in its implementation.**
- **The introduction of a CTT as an innovative source of development finance should be additional to other sources of financing, such as ODA.**

International cooperation in the fight against tax evasion and capital flight

The annual outflow of resources from developing countries in the form of tax evasion and capital flight has been estimated to exceed the amounts of ODA and to counter its beneficial effects on development. There is no doubt these resources would significantly boost efforts to reach the Millennium Development Goals (MDGs). Internationally coordinated action towards an enabling financial and economic environment that plugs the leaks of capital flight, tax evasion and corruption is essential.

- **We call upon G8 countries to promote an international tax authority ensuring globally concerted measures against illicit capital outflows. As a first step the UN Committee of Experts on International Cooperation in Tax Matters should be upgraded into an Intergovernmental Committee based on political representation which would expand on existing international efforts, especially by the OECD.**
- **The multilateral adoption of a code of conduct for states on cooperation in combating international tax evasion and avoidance is needed.**
- **Effective international action needs to be based on mandatory and an automatic exchange of information about taxable incomes of countries' citizens in order to ensure traceability of tax evasion.**
- **G8 countries should actively support and expand on OECD efforts in blacklisting tax havens which do not cooperate with foreign judicial and tax authorities. In addition, the black list should effectively include all states unwilling to give tax and judicial information, to abandon strict banking secrecy and to register trusts' beneficial owners, including major financial centres.**

Climate Justice

Negotiations on a post-2012 global climate agreement are far from making the progress required to ensure an adequate and equitable deal is agreed in Copenhagen in December. G8 countries hold significant historic responsibility for current climate change, but have so far failed to commit to mitigation targets that will avoid dangerous climate change, or to commit concretely to providing developing countries with the support they need to enable them to

adapt to the impacts of climate change that are now unavoidable and to pursue sustainable development paths.

The United Nations must remain the primary forum for intergovernmental decision-making on climate change. Nevertheless, the G8 is one of the few moments where leaders of the richest countries will meet in the run up to Copenhagen and should play a crucial role in unlocking stalled talks and securing a deal. To achieve this, **G8 leaders should commit to:**

- **A minimum of 40 per cent cuts in greenhouse gas emissions by 2020, based on 1990 levels.**
- **Delivering on long overdue financing commitments to the UNFCCC Least Developed Countries Fund for urgent adaptation measures – \$2 billion was committed as far back as 2001.**
- **Providing their fair share of sufficient and secure financing for adaptation and mitigation in developing countries in addition to existing ODA commitments. Conservative estimates indicate €110bn of additional finance will be needed annually for mitigation and adaptation in developing countries by 2020.**
- **Supporting an international technology mechanism under the UNFCCC that will overcome barriers, including financial and IPR barriers to the development, diffusion and adoption of adaptation and mitigation technologies.**
- **Giving the Copenhagen talks the highest political priority and committing to personally attending them.**

Food Security and Securing the Right to Food

Speculation on agricultural commodity markets, increased competition for land due to policy incentives for biofuels production, and lower yields due to climate variability were a few of the short term factors that brought about the spike in food prices in 2008. Longstanding policy failures, however, including unjust trade rules, inadequate support to agriculture in developing countries, and an emphasis on unsustainable agricultural models, had created a system vulnerable to disruptions. G8 countries hold significant responsibility for creating this system, which promoted their domestic interests at the expense of food security and the respect, protection and fulfilment of the Right to Food in developing countries.

The G8 has committed to pursuing a comprehensive strategy to tackle the food crisis, including the establishment of a new global partnership on food security. To ensure such a crisis does not reoccur in the future, **the G8 must commit to:**

- **Adopting the Right to Food as a framework for responses to the food crisis. This requires action focused on the most vulnerable, the poorest and the most marginalised – crucial in a context where food security is a matter of access and distribution. The Right to Food also holds that all stakeholders should be involved in the design of programmes affecting them, ensuring that women as the majority of small-holder producers are fully involved.**

- Ensuring the Global Partnership for Food and Agriculture has a strong mandate to remedy global policy failures related to hunger. The Partnership should strengthen the UN, fully involve a representative range of non-state actors such as civil society and the private sector, and be guided by an experts group.
- Increasing aid to agriculture in line with the Right to Food, with a focus on small scale sustainable farming and in support of a multifunctional approach to agriculture as set out in the recommendations of the International Assessment of Agricultural Knowledge, Science and Technology for Development report.
- Taking steps to make markets less volatile, including supporting the creation of stocks, and the regulation of speculation on commodities markets.
- Paving a new way for trade by; establishing trade rules that build on human rights commitments; recognising developing countries' right to policy space in trade agreements; strengthening and simplifying international trade rules to curb dumping and removing trade distorting export subsidies that allow agribusiness to control global markets.

The Role of the Private sector

CIDSE and Caritas acknowledge and support the view that a dynamic and private sector is necessary for development, but there is also a need for regulatory frameworks to safeguard the interests of developing countries and their citizens. There are too well-documented cases of damaging practices by international companies, harming both the environment and their host communities. It is not, therefore, simply a question of encouraging inward investment in the belief that any investment will be positive. In particular, the promotion of private/public partnerships requires a high level of skills and expertise on the part of host governments which need to be able to monitor companies' impacts both positive and negative.

Measures to strengthen the private sector should go hand in hand with the establishment of transparent and accountable frameworks. Here continued support for specific initiatives such as the Extractive Industries Transparency Initiative is welcome but not sufficient. **G8 Governments should:**

- **Incorporate requirements for companies to publish details of taxes and other payments into national legislation, e.g. through stock exchange listing rules.**
- **Reform international accounting standards so that transnational corporations report on a country by country basis.**

Civil society

Civil society organisations (CSOs) neither can participate effectively in monitoring nor in policy dialogue about development if they are not afforded the political space to do so. CIDSE and Caritas are concerned at growing constraints placed on CSOs in a number of

developing countries, sometimes through very restrictive legislation or regulation.

- **G8 governments should do all they can to ensure that CSOs are guaranteed political space to fulfil their functions, as recognized in the Accra Agenda for Action (provision of an ‘enabling environment’).**
- **G8 governments should ensure that civil society organisations and national parliaments are effectively represented on bodies set up to monitor aid effectiveness, as promised in the Accra Agenda for Action.**

The ‘whole of country’ approach

The Italian government is seeking to promote a new assessment instrument at the G8 – a ‘whole of country’ approach to development. This would include other contributions to international development that come from G8 countries, from other sources like the private sector and civil society ranging from trade and investment to remittances.

Although in theory, this could offer a welcome step towards a more coherent approach to development, there is a high risk that it will be used as a smokescreen to hide the failure of G7 nations to meet their 2005 commitments. Though presented as inclusive, such an approach would in fact enable G7 nations to highlight their positive contributions to development while omitting key elements, such as outflows from developing countries assisted by tax havens and financial institutions based in G8 economies. Furthermore, this approach would ignore the significant negative impacts on developing countries of trade distortions caused by the continuing support for agriculture of both the EU and the US, together with the difficulties caused by restrictive rules of origin and non-tariff barriers.

- **Instead of a ‘whole of country’ approach, we recommend a ‘do no harm’ approach, whereby the G8 establish an independent audit mechanism to identify any G8 government or companies’ policies and practices that are having a negative impact on a country’s ability to develop.**