CIDSE Recommendations

Deadline 2015

Five years to build a win-win partnership

} Mutual accountability:

Stakeholders commit specific resources to the partnership for which they are accountable.

} Subsidiarity:

Policy/action outcomes from the partnership are developed in dialogue.

} Transparency:

All actions, decisions and resources brought into the partnership are transparent to all involved.

CIDSE Recommendations to the UN MDG Review Summit 2010

July 2010

CIDSE
together for global justice

In this paper

Introduction 3

A genuine partnership to tackle climate change 4

A genuine partnership for global food security 6

A genuine partnership to adjust the causes and impact of the financial crisis 8

Tackling capital flight and tax evasion 8

Financial Transaction Taxes to tackle global systemic weaknesses and generate resources for development 9

A structural overhaul of the system of Official Development Assistance 11

A structural response to poor countries' debt burdens 11

Reforming the International Financial Institutions (IFIs) 12

The Way Ahead: A win-win partnership is possible 13

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.

For a detailed policy analysis, please refer to the CIDSE Background Paper on the Millennium Development Goals available at www.cidse.org/publications.

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Introduction

Concerted global action propelled by the time-bound Millennium Development Goals (MDGs) commitments that leaders made at the turn of the millennium have led to some progress in key development areas. However, the deficiencies of the MDG framework: their failure to incorporate human right principles, their emphasis on development outcomes at the expense of the actual process and their limited ambition, have resulted in progress being uneven as impacts on the structural causes of poverty have been limited or non-existent.

Climate change and the food and financial crises have reversed or put at risk positive trends in poverty reduction and combating hunger. Global efforts to tackle the multiple crises have revealed key gaps in this existing global partnership for development. Action needs to be taken to fill these gaps in the quest for a genuine global partnership for development, a partnership which unites rather than divides and is entered into voluntarily 'in a climate of cooperation and solidarity' in order to 'overcome ideological divisions.'

CIDSE believes that the following key principles are central to building and sustaining 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.**

"Only in a global climate of cooperation and solidarity will we be able to successfully deal with the challenges the world is facing.

René Grotenhuis, President of CIDSE and Director of Cordaid

A genuine partnership to **tackle climate change**

Climate change threatens the achievement of the MDGs as a whole. At the same time, their achievement would have a significant impact on tackling the impacts of climate change.[1] Therefore it is critical to ensure that, in order to continue making progress towards achieving the MDGs, any future climate change agreement has poverty eradication and the Right to Development at its core.

Current climate change is primarily the result of the fossil-fuel based growth of industrialised countries. Yet developing countries that have done least to contribute to the problem are the first and most profoundly affected by it. Industrialised countries have a historic and moral obligation to take the lead in the global response to climate change. With their greater financial and technological capacities, they are also best placed to deliver urgently needed emission reductions and provide the support to developing countries to enable them to adapt to the impacts of climate change and to develop sustainably. Developed countries committed to taking the lead on reducing carbon emissions under the UN Framework Convention on Climate Change (UNFCCC, 1992) and the legally binding Kyoto Protocol[2] (1997). At the G8 in 2009 and again at the Copenhagen Climate Summit, developed countries committed to limiting a further rise in global surface temperatures to 2° C. However, the current emission reduction pledges being offered at climate change negotiations by the vast majority of industrialised countries are scientifically inadequate and morally unjustifiable; not representing justice for the developing countries suffering the effects of climate change. They are not taking the lead on emission reductions and their current pledges will not be enough to prevent a rise of 2° C.

An aggregate target of more than 40% reductions by 2020 and 80-95% by 2050 based on 1990 levels is necessary from developed countries to stand a reasonable chance of remaining below a further 2° C rise.[3] Current developed country pledges suggest a further rise in global surface temperatures of between +2.8 and +4.3° C.[4] The costs of such a rise would be catastrophic. According to the latest IPCC assessment report a temperature rise of over 2° C would risk severely endangering the food and water security of tens of millions of vulnerable people in developing countries.[5]

Furthermore, despite commitments made by developed countries since 1992 to provide ‘new and additional’ finance to support developing countries in tackling climate change, pledges made and resources disbursed have been far from adequate and there is currently an estimated gap of over $16 000mn between the money pledged and actually deposited within the UNFCCC and other bodies over the past decades.[6] While agreement on the scale and sources for financing under a new global climate change agreement is yet to be reached, the current figure discussed by developed countries, of $100bn by 2020 from public and private sources, is far below estimated needs for public financing, projected to be in excess of $200bn by 2020.[7] Furthermore, the lack of an agreed definition of ‘new and additional’ finance for climate change is allowing many donors to claim any finance on top of current aid flows as new and additional. Current indications are that donor countries will, in many cases, divert resources that would have been used to meet their existing Official Development Assistance (ODA) commitments to fulfil their new climate finance obligations. To be truly new and additional and avoid a negative impact on efforts to meet the MDGs, climate financing must come on top of existing ODA commitments.

Efforts by industrialised countries to shift responsibility for tackling climate change to developing countries in ongoing negotiations for a new global climate change agreement reflect the structural imbalances and uneven power relations that are also responsible for the lack of progress on MDG 8 (Goal 8: a global partnership for development). A fair, effective and binding global climate change agreement is urgently needed if a just and meaningful partnership for development is to be achieved.

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 includes:

- **Provisions that will keep global temperature rises well below 2° C, with a commitment by developed countries to take the lead by reducing their greenhouse gas (GHG) emissions by more than 40% by 2020 and 80-95% by 2050 based on 1990 levels, in recognition of their historical responsibility to the international community. 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.**

- **The EU should lead from the front by unilaterally committing to move to a 30% reduction target which should be a first step to a target of more than 40% by 2020 based on 1990 levels.**

- **Commitment to the provision by developed countries of sufficient new and additional (to existing ODA commitments) finance that is predictable, secure and accessible; as well as 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 public 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.**

} Climate financing must come on top of existing ODA commitments to avoid a negative impact on efforts to meet the MDGs

A genuine partnership for **global food security**

Between 2005 and 2009, the number of chronically hungry people dramatically increased from 850 million to 1.02 billion. This crisis was not one of food supply shortages; on the contrary, 2008 recorded a record grain harvest of 2.28 billion metric tons.[8] However, when commodity prices hiked in 2007 and 2008 the price of imported food shot up.

When combined with the effects of under-investment in agriculture, liberalisation and privatisation policies, and unfair trade policies and practices over the past decades that had depleted or destroyed local production systems in developing countries, hundreds of millions of more people found themselves without the means to access adequate food.

While many people took to the streets in protest in 2007 and 2008, the situation was to deteriorate further as the impacts of the financial and economic crises took hold.

Policies aggressively pushed through global institutions over the last decades played a major role in creating the current global food system that is vulnerable to disruptions. They must now play a key role in promoting a new system, one that is just and sustainable.

A number of positive developments can be identified over the course of the political debate since the eruption of the crisis in 2007/2008, for example, a renewed recognition of the importance of investment in agriculture in developing countries, an increasing focus on small scale farmers, and political and financial initiatives. However, commitments thus far fall far short of the massive scaling up and reorientation of investment in agriculture and rural development, and the commitment to real policy changes needed to address the root causes of global food insecurity.

- **The Right to Food must be incorporated as a guideline for policy-making and implemented as well as monitored accordingly.**

- **To advance food security in developing countries developed country agricultural and trade policies must be reformed. This means ending all direct and indirect export subsidies and ensuring developing country governments have sufficient policy space to support local livelihoods and promote development. Effective safe-guards to ensure that trade and agricultural policy upholds human rights obligations are a key policy tool.**

- **Developed country's agricultural, trade, environment and development policies should promote bio-diverse, agro-ecological and socially just agricultural systems both at home and abroad.**

- **Investment in agriculture and rural development in developing countries should support small scale, agro-ecological and resilient farming systems which have the best potential to ensure the access of poor producers and consumers to affordable and adequate food and decent livelihoods, and to reduce the problematic food import dependency of many developing countries.**

- National governments and the international community should take all necessary steps to stop so called 'land grabbing' that is linked to the prevailing export oriented and industrial agricultural model and secure land rights of vulnerable people.

- World food prices should be stabilised and speculation on food stocks must be curbed.

- Effective, coherent and inclusive global food governance – with special attention to the voices of the food insecure - must be established, with the UN Committee on Food Security at its core.

- Donors should commit to at least match their ODA allocations with the 2003 Maputo commitment made by African countries to dedicate 10% of annual budget resources to agriculture and rural development within the next five years.

A genuine partnership to **adjust the causes and impact of the financial crisis**

Figures from the World Bank revealed that net private capital inflows to developing countries fell to half in 2008.[9] Sub-Saharan Africa was hit hardest by reduced external demand, reduced export prices, weaker remittances and tourism revenues, and greatly reduced capital inflows. 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 room for budgetary manoeuvre in order 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.

Tackling **capital flight and tax evasion**

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 level. However, developing countries have been limited in their ability to effectively implement progressive tax regimes. Along with the usual reasons given such as capacity and good governance limitations, there are a number of external factors influencing countries' ability to effectively mobilise domestic resources. These include advice from institutions such as the International Monetary Fund (IMF) or requirements to reform tax regimes imposed by trade agreements or conditionality related to debt relief or development assistance; tax competition; trade mispricing strategies of trans-national companies; and the continued existence of tax havens. Africa, for instance, 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.[10] Gender activists have expressed strong concerns about the increased incidences 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.[11] Cross-country cooperation, transparency of revenues and properly regulated financial institutions are central to enable governments to effectively mobilise resources from taxation. This requires joint effort and international pressure on those that perpetuate the problem.

- **Listed companies must be required to report financial activities including profits and tax payments on a country by country basis.**
- **Tax evasion should be treated as the criminal offence that it is. International judicial and tax cooperation must be strengthened to prosecute tax evaders.**
- **The beneficial ownership of all companies, trusts and foundations should be put on public record in all jurisdictions.**
- **The UN Committee of Experts on International Cooperation in Tax Matters should be upgraded into an Intergovernmental Committee.**

Financial Transaction Taxes to tackle **global systemic weaknesses and generate resources for development**

Financial markets have grown spectacularly in the last two decades. In 2008, for example, the trading of financial transactions was approximately 74 times higher than nominal gross domestic product. In 1990, it was only 15 times higher.[12] These markets, in which money is the commodity to be traded, not goods and services, has divorced real growth, production and job creation from the majority of financial transactions which are purely speculative and have damaging effects on the real economy and consequently on development. Countries in East Asia in the 1990s and countries in the Euro monetary zone in spring 2010 have directly experienced the destabilising impact of speculation on their currencies.

Financial Transactions Taxes (FTTs) are taxes that can potentially contribute to the stabilisation of financial markets while generating large amounts of revenue. FTTs would increase the cost of speculative trading and thus help mitigate fluctuations of asset prices in stock markets, exchange rates and commodity prices. At the same time they would have a minimal effect on the real economy as the taxes 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 at rates between 0.01% and 0.1% would generate tax revenues ranging between 0.5% and 2.4% of world GDP if all transactions are covered, a scale of resources that responds to the scale of financing needs for the MDGs and other development imperatives in the face of climate change and other crises today.

- **Leaders should reach a global agreement to implement FTTs at the MDG Review Summit.**
- **The revenues from FTTs should be used for funding development needs, including the MDGs and responding to climate change. These funds must be additional to ODA commitments.**
- **The UN should play an instrumental role in determining the destination of FTTs' revenues.**
- **Administration and revenue allocation decisions should take place in a multi-lateral setting on the basis of equal rights of all actors and the inclusion of a wide range of stakeholders.**

A structural overhaul of the **system of Official Development Assistance**

Limited in their ability to effectively mobilise domestic resources and with uncertain capital inflows from investments and remittances, especially during the financial crisis, poor countries continue to rely on Official Development Assistance (ODA) particularly to sustain social sector spending, which women are directly affected by. For these countries it remains very important that donors deliver on commitments made. Although ODA reached its highest level ever in 2008, there remain large gaps in current spending and existing and long-standing commitments. The Gleneagles Group of Eight (G-8) ODA target for 2010 is approximately $154 billion in present values - additional flows of $35 billion by 2010 will need to be delivered this year to achieve this target.

Alongside upholding commitments on ODA amounts, the way ODA is managed and spent, ODA allocation decisions and who makes them and how this is done, are crucial issues that need to be addressed in the ODA system. However, existing systems to improve ODA effectiveness such as the Paris Declaration followed by the Accra Agenda for Action are technocratic and do not integrate these fundamental discussions. Donors must look beyond the current narrowly defined aid effectiveness agenda to develop a rights-based approach to development assistance, implementation and monitoring.

- **All donor countries must adopt legal frameworks to enforce ODA obligations.**

- **Principles of participation, accountability and transparency and a rights-based approach must be integrated into the ODA agenda that guides governments and other actors to focus on and empower the most vulnerable, the poorest and the most marginalised.**

A structural **response to poor countries' debt burdens**

International commitments made under the Heavily Indebted Poor Countries Initiative (HIPC, 1996) and the Multilateral Debt Relief Initiative (MDRI, 2006) 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. Only 25 out of 40 countries eligible for debt relief have actually seen their debt reduced to 'sustainable' levels under these agreements. Along with eligibility issues, these initiatives were far from perfect in many other ways: they were bound to conditionality and did not guarantee that there would be any resources left after the grants to meet debt service and principal obligations as they became due. Yet, countries provided with some debt relief 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.[13]

In the financial crisis, countries that had benefitted from debt reductions have had greater breathing room for their own fiscal stimulus responses.[14] But many countries, many with illegitimate debts who are not considered eligible for debt relief, remain burdened by unsustainable debt levels. Moreover, the ad-hoc and one-off nature of current debt relief initiatives have not addressed the systemic deficit of traditional power imbalance between creditors and debtors leaving the latter at the mercy of the former. This deficit continues to create major moral hazard problems by preventing shared responsibility by creditors and debtors alike. 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.[15] A structural solution needs to be found that ends the debt overhang of poor countries that takes away valuable resources from domestic needs to service and repay debt.

} A binding comprehensive, independent and predictable framework for arbitrating on sovereign debt claims must be developed with the relevant agencies and internationally adopted.

} Debt reduction or cancellation operations must not be bound by ex-ante conditionality, in particular economic conditionality.

} The debt cancellation needs of countries, especially those not yet included in existing debt relief operations and those with illegitimate debt, must be reviewed, particularly on the basis of financing requirements required for achieving their development priorities.

} There should be an international commitment to prevent vulture funds from attacking vulnerable countries with debt problems, through the adoption of national legislation and by providing judicial and financial assistance to countries taken to court by vulture funds.

Reforming the International Financial Institutions (IFIs)

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, more often that not 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.[16]

Unfortunately, the financial crisis gave the IMF - which was confronted with serious questions regarding its mandate and rationale the years before - considerable responsibility to assist countries in dealing with the crisis despite the fact that member countries have failed to demand necessary reform of the institution.

This is also true of the World Bank and its reform agenda which has been given wider powers as a result of the crisis. Much still needs to be done to reform these institutions in order to build a true global partnership for development.

- **All IMF and World Bank programmes in a country must require proper and ex-ante parliamentary approval.**
- **Variables that reflect the demand for the Institutions' services must be considered in voting-rights.**
- **The proportion of developing country seats on the Board should be increased.**
- **Double-majority voting requirements must be mainstreamed for policy decisionmaking.**
- **The IFIs should abide by the mandates of UN agencies.**

Conclusions

The Way Ahead: A win-win partnership is possible

September's MDG Review Summit can conclude with a win-win outcome. As a network of Catholic development organisations mandated to act on and practice international solidarity, CIDSE sees such an outcome being a clear engagement to stand side-by-side with men, women and children living in poverty or other forms of vulnerability across the world. To make this a reality, all governments will need to honestly assess what they must do to overcome current obstacles and find a way forward. This would have to be set in clear timetabled commitments that they would be held accountable for. It would also require their acknowledgement that policy in all sectors of the economy is linked to development.

Therefore if efforts to eradicate poverty, hunger and inequality are to bring about structural and sustainable change, all policies must be coherent with development commitments set in a human rights framework.

Let's hope that, bound by their clear engagement to stand shoulder-to-shoulder with men, women and children living in poverty and vulnerability in the next five years, leaders will be able to come together again in 2015 to celebrate having met and exceeded the MDGs.

} For a win-win outcome all governments need to honestly assess what they must do to overcome current obstacles

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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.