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Comments and Recommendations for UN General Assembly Draft Resolution* on the Follow-up to the International Conference on Financing for Development

A little less than ten years after the Monterrey Consensus on Financing for development was reached and in the last lap of the race to reach the Millennium Development Goals by 2015, the global development outlook is very grim. Alongside this, as the world gears up for the UN Conference on Sustainable Development twenty years after the historic Rio Earth Summit, there is a growing realization that continuing to use current development pathways is unsustainable. The status-quo is unjust and if we fail to change this status-quo we are mortgaging the well-being of our children and the future of our planet. This realisation is not new nor is it radical. The Monterrey Consensus is a leading example of the collective will to forge a development partnership. Yet, as rightly pointed out by the UN Secretary General's Report on Global Economic Governance, coherence remains crucially lacking.

i. For policy coherence first address power imbalances

The Report of the World Commission on the Social Dimension of Globalisation on policy coherence (2007) points out that one reason why policy has failed to promote human development and social progress is because of the greater economic power and influence of organisations dealing with trade and finance compared to those dealing with development and social policy. The report of the Commission concludes: "A key aspect of ensuring greater coherence for a fair and inclusive globalisation is thus the redressing of these unbalanced outcomes."

The UN is central to redressing this power imbalance. This was recognised by the 1994 Human Development Report, the 1995 Report of the UN Commission on Global Governance and the 2009 Report of the Stiglitz Commission on the Financial Crisis.

As pointed out by the Report of the Stiglitz Commission: "Our analysis suggests that not only is there a need for substantial reforms in existing institutions but that in addition there is also a need to create a new institution, a Global Economic Coordination Council (GECC) supported by an International Panel of Experts."

We welcome that this recommendation has been partly taken up in ECOSOC resolution 2011/39 on the consideration of the possible establishment of an ad hoc panel of experts and has also

* Draft Resolution dated 17 October 2011 tabled by Argentina on behalf of G77 and China.

been mentioned in the Report of the Secretary General on Global Economic Governance and Development. We are disappointed that the draft resolution on the Follow-up to the International Conference on Financing for Development (version of 17 October 2011, hereafter referred to as 'the draft resolution') does not include a mention of the ad-hoc panel of experts at least in line with ECOSOC resolution 2011/39. This is a step backwards and does not reflect the spirit of the Monterrey Consensus and the Doha Declaration on Financing for Development.

ii. Enforcement of policy coherence requires systematic approaches

Another cause of failure despite the best of intentions to ensure policy coherence is the lack of a systematic approach to enforce this coherence. CIDSE has long called for systematic approaches based on mandatory standards, regulations or processes. This has been the central thrust of our advocacy within the Financing for Development process. In line with this call, we make the following recommendations with regard to the draft resolution:

a. Institutional reform

The draft resolution rightly stresses that international financial institutions must have 'a clear development orientation.' While we welcome the call for a dialogue on a new international economic and financial system and architecture in this regard, the draft resolution could provide concrete recommendations on how this could be taken forward, for instance:

- The renegotiation of Relationship Agreements linking the IMF and World Bank with the UN 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.
- Establishing clear legal principles for addressing conflicts of interest between the IFIs and other UN bodies, agencies and fora.

Furthermore, the draft resolution mentions the 'democratic deficit' within international economic and financial system and architecture and underlines the urgent need to enhance the voice and participation of developing countries. We welcome this emphasis, especially given the current status of discussions on greater representation of developing countries in the Executive Board of the IMF. The current reform road-map still does not guarantee real equity in the vote allocations unless accompanied by a commitment to include consideration of 'demand-oriented' variables that may favour developing countries as against the 'supply-oriented' ones that prevail in the formula today. We call for the draft resolution to include a concrete recommendation that the two chairs freed up by the European Union benefit the most crowded constituencies. In this regard it should be noted that if one of these chairs went to African countries for instance, the accruing three African chairs would still be the ones with the largest workload.

b. Debt

We welcome the emphasis put on the importance of 'a timely, effective, comprehensive and durable solution to the debt problems of developing countries.' We would argue that the most effective, comprehensive and pro-development solution to sovereign debt crises would require more orderly and systematic debt workout mechanisms. We therefore call for the resolution to include a call for the establishment of a binding, independent and predictable framework for arbitrating on sovereign debt claims.

c. **Taxation**

The draft resolution puts a lot of emphasis on domestic mobilisation of resources as a key driver to development. Yet it fails to address one of the key obstacles that prevent countries from effectively mobilising domestic resources - tax evasion and tax avoidance, and the insufficiency of intergovernmental cooperation in this regard. Intergovernmental decisions influence the key principles that determine and constrain developing countries' ability to succeed in taking their fair share of revenue in an environment where the tax base is increasingly global and capacity to tax increasingly interdependent. This was recognised in the Doha Declaration on Financing for Development when it called upon the ECOSOC to examine the strengthening of institutional arrangements, including the UN Tax Committee. We are disappointed with ECOSOC resolution 2011/23 which failed to support the creation of an intergovernmental commission on international cooperation in tax matters, one of the options laid down by the UN Secretary General in his report on this issue. The draft resolution must address this important issue which we feel still does not adequately address agreements made in the Doha Declaration. We recommend that the draft resolution emphasises the need of an intergovernmental Commission on international cooperation in tax matters and call upon the ECOSOC to make a recommendation as such. The draft resolution must also call for adequate funds to support such an intergovernmental Commission on International Cooperation in Tax Matters and finance greater developing country participation in meetings.

d. **Innovative financing and Official Development Assistance**

We welcome the call to developed countries to meet the 0.7% GNI to ODA target and ODA commitments to least developed countries and the need for clear and transparent timetables on how these commitments will be met. Building upon the good practice in this regard in some developed countries, we call upon the draft resolution to additionally call for a legal framework to enforce ODA obligations in order to make donors accountable to the main beneficiaries of development assistance in recipient countries as well as the citizens of their own countries.

Beyond ODA, the resolution rightly affirms that new and additional resources are urgently needed to assist developing countries to respond to the adverse effects of the financial and economic crisis. Beyond these crises, the pressure on developing countries to deliver on their development commitments is made more acute in the face of climate change and increasing food insecurity. We therefore have emphasised the urgency for world-wide adoption of a Financial Transactions Tax. Many countries already have such a tax in its many variants. We believe that the exponential growth of financial markets and their contribution to economic instability warrants a Financial Transactions Tax to cover all spot and derivative and Over-the-Counter transactions. Such a tax has the potential to generate revenues ranging between 0.5% and 2.4% of world GDP depending on tax rates used.

These revenues would provide countries with much needed additional revenue to finance urgently needed social programmes at home while helping donor countries to finance additional international commitments especially with regard to climate change, e.g. the Green Climate Fund. We welcome the proposal for the implementation of an EU-wide Financial Transactions Tax and call for its speedy implementation. We also welcome the blue-print for a multilateral treaty for the implementation of a Financial Transactions Tax put forward by the Leading Group on Innovative Financing for Development, of which a significant group of countries are a member. We recommend that the resolution call for a High Level Meeting in the General Assembly in 2012 to discuss these important developments and to further the consensus of a broad implementation of such a tax.

e. The role of Special Drawing Rights in a reformed global monetary system

The resolution should place more urgency on the call for new allocations of Special Drawing Rights in the light of the threats of renewed recession in economic centres that have hitherto provided stimulus to the global economy. New allocations of Special Drawing Rights could be pooled in vehicles to support development finance towards countries most in need, thus providing a low-cost supplement to existing financing for development means.

Further, the resolution should call for immediate implementation of the World Conference on the Financial and Economic Crisis mandate to explore the shortcomings of the current global reserve system and options for reforming Special Drawing Rights to address them. This is also an urgent task, given the need to redress joblessness trends. The more that people remain out of the job market, the more likely they become subject to structural, more entrenched, unemployment.

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; and business & human rights. **www.cidse.org.**

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