

Caritas Internationalis statement on the Doha Review Conference on Financing for Development , 29 Nov. - 2 Dec. 2008

Caritas Internationalis sees the promotion and protection of the human right to development as a matter of local, national and international justice. The individual human being is the subject and primary beneficiary of this right. The responsibility for the promotion and the protection of the right rests with the State and also with the international community. Caritas Internationalis' convictions about the absolute importance of sustainable development have grown from a long history of providing assistance and social services to millions of some of the poorest persons throughout the world.

From Monterrey to Doha

In March 2002, governments met for the Conference on Financing for Development (FfD) in Monterrey, Mexico and agreed on mobilizing domestic and international financial resources, using international trade as a driving force, increasing international cooperation, tackling external debt, and enhancing the coherence and consistency of the international monetary, financial and trading systems, in order "to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system". The Follow-up International Conference on FfD meets in Doha, Qatar 29 November - 2 December 2008 to "assess progress made, reaffirm goals and commitments, share best practices and lessons learned and identify obstacles and constraints encountered".

Since Monterrey, we could observe progress in some areas. Debt relief has provided education and healthcare to many. In Kenya, Tanzania, Uganda, for example, fees for primary schools could be abolished resulting in dramatic increases in enrolment during the space of a few years. Some "innovative" funding mechanisms have been successfully experimented, such as the tax on airline tickets which allowed collecting €300 millions for purchasing medicines through the new International Drug Purchase Facility, without generating any market distortions.

But there have also been setbacks, such as the declining level of official development aid (ODA). The ultimate test of eradicating poverty shows that the Monterrey Consensus has fallen short. The Millennium Development Goals for lifting millions of people out of poverty by providing access to food, clean water, health care, and education, are in some cases a hundred years off target.

The Doha agenda is vast; issues at stake are important and solutions are urgent in the context of the current multidimensional crisis (finance, economy, food, climate and energy) which affects all, but none more than the poor and most vulnerable in society.

Caritas Internationalis has been involved and following up closely the FfD process over years¹ and will be present in Doha. We will highlight the obligation of the industrialized States to cooperate in the development of people and States that are among the poorest. We shall underline the need for the construction of an international order that is based on principles of environmental, economic and social justice with the active participation of people from developing countries to be an integral part of the design of their future.

¹ see Annex 1 - CI statement to ECOSOC, March 2002; Annex 2 - CI statement to FfD High-Level Dialogue, Oct. 2007

Caritas Internationalis calls on world leaders to send a serious signal to the global community that they recognise the urgency of the situation and are willing to make concrete commitments, especially in the following areas:

More and better aid

At the 1970 General assembly of the UN, a target was set for rich countries to give at least 0.7% of their Gross National Income (GNI) as international development aid to developing countries. This commitment is also part of the Monterrey Consensus.

Yet, only five countries worldwide (Denmark, Luxembourg, The Netherlands, Norway and Sweden) have reached the 0.7% target. OECD figures show that total aid in 2007 was US\$103.9 billion, a drop of 8.4% in real terms from 2006, mainly due to declines from Japan (down 30.1%), UK (down 29.1%), France (down 15.9%), and the United States (down 9.9%). In addition, rich countries had promised additional US\$50 billion in aid annually by 2010 at the 2005 G8 summit in Gleneagles; but they will fall short by as much as US\$30 billion – a figure that could save five million lives.

In their own self-interest, donor governments should commit again in Doha and deliver 0.7% aid target and other commitments, and establish timetables for reaching these objectives. Greater foresight, courage and political determination are needed at this crisis period when development assistance may be seen as a drain and not as a priority.

For their mutual self-benefit, donor governments and developing countries governments must also implement the recently adopted Accra Agenda of Actions on aid effectiveness, without delay. In order to ensure democratic ownership and accountability, people living in poverty must be able to participate in the decisions about their government's use of donors resources to improve their living conditions and hold to account both their government and donors.

Mobilisation of domestic resources

Effective development financing depends on more than aid. Wherever possible in developing countries, domestic financial resources can be mobilised and protected with the effective enforcement of laws fighting corruption. Mobilising resources potentially available in the country is key to enhance national ownership and development sustainability.

It is urgent to scale up the fight against tax evasion and avoidance and mitigate the capital-inflow instability to which developing countries are sometimes subjected. This requires improving international cooperation on tax and fiscal matters. One immediate solution is to transform the UN Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee) into a true intergovernmental organisation with increased presence of developing countries.

Transparency of financial flows must also be enhanced. Different instruments exist or should be developed, and implemented by States and private businesses:

- the UN ECOSOC code of conduct for cooperation in the fight against flight of capital and tax evasion
- internationally-agreed accounting standards obliging multinational businesses to justify their activities country by country, in order to lessen the possibility of transfer mispricing
- the Extractive Industries Transparency Initiative (EITI) for development concept, which should be improved and include the obligation for States and businesses to publish informed and detailed figures on upstream (e.g. contract awards) and downstream (e.g. expenditure management, revenue allocation) activities.

Innovative financing sources

Since Monterrey, innovative mechanisms to finance development have gained great attention and been experimented. It is accepted today that international taxes are realistic, technically feasible and

potentially very fructuous sources of financing. This is clearly the case of the Currency Transaction Tax (CMT), which could be introduced at a rate as low as 0,05%.

Innovative financing options to secure reliable funding to address the impact of climate change in developing countries should be explored without delay. Priority should be given to mechanisms that internalise the cost of environmental damage of goods and services, realising a 'double dividend' to discourage polluting actions. It is urgent to find creative ways to fund immediately the adaptation programs that are necessary for the survival of some of the poorest and most vulnerable communities that have been absorbing the violent impact of climate change.

Caritas Internationalis holds that solidarity contributions must be in addition to ODA, they must be mandatory by nature with transparency and accountability. They should be coordinated by the UN system with the participation of stakeholders in their use at national and international levels. And they must enhance global public goods and the enjoyment of fundamental rights.

Facilitating the role of migrants for development

The transfers of money that migrants send back home represent an important source of income for millions of families around the world. In some countries (Morocco, Sri Lanka, Mexico), the volume of such transfers exceeds the volume of international aid and capital flows public and private. 500 million people would benefit from remittances. Formal transfer channels should be made more accessible and affordable, through lowering the bank fees.

If migrants wish to use their remittances for investments in their countries of origin, more should be done to facilitate and encourage migrants to contribute in a sustainable manner to poverty eradication. The use of remittances of migrants to support investment projects or build community infrastructure should be encouraged through partnership and the provision of additional funding. Caritas Internationalis calls for a comprehensive initiative to optimize the potential of remittances of migrants to contribute to development in their countries of origin, respecting the fact that it is private money and it is complementary to ODA.

Greater global policy coordination and coherence

The FfD process must also tackle the deficit in international policy coordination and coherence in relation to the achievement of poverty eradication and the MDGs. Without enhanced coherence between policies that are development-centred and other policies such as trade and agriculture, the beneficial impact of increased financial resources for development will remain limited.

Caritas Internationalis advocates for greater interaction between global processes focusing on aid effectiveness, FfD, trade, finance and agriculture regulations, improved global governance, as well as better regulation of financial markets. The universal enjoyment of human rights should be the framework within which economic, finance and trade policies and mechanisms are designed.

Caritas Internationalis acknowledge that these measures are ambitious and far-reaching. They will not be achieved overnight. We therefore ask that the Doha Conference agrees on an effective follow-up process actively involving the Development and Finance ministries, key multilateral institutions, NGOs and the private sector.

ANNEX 1: Statement to UN ECOSOC, March 2002

Financing for Development . Urgent need for an International Coalition against Poverty

International Conference on Financing for Development - Monterrey, 18-22 March 2002

Statement submitted by the following Non-governmental Organizations in Consultative Status with the UN Economic and Social Council or accredited to the FfD Process: International Cooperation for Development and Solidarity (CIDSE), Caritas Internationalis, VIVAT International, Pax Romana, Franciscans International, Medical Mission Sisters, Missionary Oblates, School Sisters of Notre Dame and International Presentation Association of the Sisters of the Presentation

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CIDSE, Caritas Internationalis, VIVAT International, Pax Romana, Franciscans International, Medical Mission Sisters, Missionary Oblates, School Sisters of Notre Dame and International Presentation Association of the Sisters of the Presentation promote an ethical approach to tackling socio-economic problems, including the concept of a 'preferential option for the poor'. Our networks have actively participated in the Financing for Development (FfD) process since its beginning as we expected this process to provide an unique opportunity for governments to make concrete commitments to tackle the continuing and extensive development deficits within our global community, most specifically those relating to the Millennium Development Goals.

However, we are disappointed about the weak results in the Monterrey Consensus Paper. Much more action is needed to achieve the 2015 international development targets as agreed at the UN Millennium Summit, particularly the goal of halving the number of people living in poverty. Outstanding questions on how to finance development and how to promote better policy coordination and coherence in order to build global economic and financial frameworks which deliver economic justice for all remain unresolved. Therefore, our agencies urge governments to increase their support to the follow-up of the Financing for Development process to salvage a credible and ambitious multilateral development agenda for action from the FfD process.

We still hope that the FfD process will serve to strengthen the collective spirit to create a more just world and will act as a catalyst in mobilising international efforts and resources to ensure human security and full human development for all.

We appreciate the increasing interest of governments in the Financing for Development (FfD) process expressed here in Monterrey and welcome their recent announcements of further commitments to provide additional ODA and their efforts to identify new and innovative ways of supporting the implementation of the Millennium Goals and the financing of Global Public Goods.

In addition to that, we expect developed countries to take immediate concrete actions in support of the following proposals as recommended in the Monterrey Consensus Paper and beyond:

- Allocation of resources to specifically create a development that is gender-sensitive, people-centred and sustainable. (para 8)
- Renewed efforts towards achieving the target of 0.7% of GNP as ODA underlining the importance of timeframes for achieving the targets and goals. (para 42)
- A poverty approach to debt sustainability taking into account "the impact of debt relief on progress towards the achievement of the development goals contained in the Millennium Declaration." (para 49)

- A commitment to promote fair burden-sharing and a transparent international debt workout mechanism for indebted countries. (para 60)
- An agreement to explore innovative sources of finance, including the taxation of currency transactions, in particular the decision "to study the results of the analysis requested from the Secretary-General on possible innovative sources of finance," (para 44) which was already requested at the UN Special Session Copenhagen+5.
- A conceptual framework on Global Public Goods, which unfortunately disappeared from the draft Consensus paper at the last minute, should explicitly be developed and taken up in the agenda for international development cooperation under the auspices of the UN.

In order to be successful, this process must not only focus on the delivery of additional resources for development, essential though these are, but it must also tackle the deficit in international policy coordination and coherence in relation to the achievement of poverty eradication and the international development targets as a whole. Without the latter, the beneficial impact of increased financial resources for development will remain limited. Therefore, our networks especially welcome commitments on the regulation of financial markets and global governance issues:

In particular:

- More efficient steps have to be taken to effectively stabilise the international financial system and strengthen international tax cooperation. (para 64)
- We welcome the fact that the Monterrey Consensus Paper addresses the problem of global economic governance deficit. If related commitments are taken seriously, there is a real potential to achieve more coherence and consistency of the international monetary, financial, and trading system. We appreciate the consensus reached on an urgent need to improve global economic governance, enhance consistency with ad-hoc groupings (para 63), like the G8, and broaden the participation of developing countries in international economic decision-making (para 62). We also welcome governments' agreement to strengthen the "UN system as fundamental for the promotion of international cooperation for development and for a global economic system that works for all." (para 67)
- We regret that some further-reaching ideas such as the recommendation in the Zedillo Report to create an Economic and Social Security Council, proposed by the UN Commission on Global Governance in 1995, were not taken up in the Consensus Paper. However, we expect first steps to be taken in this direction by strengthening the role of the UN General Assembly and the ECOSOC as proposed in paragraph 69 of the Consensus Paper. An effective follow-up mechanism must be established to ensure concrete results, which our networks are in turn ready to monitor and support.
- Our members among the OECD countries are ready to support the proposed global campaign for the internationally-agreed development goals, including those contained in the Millennium Declaration (para 71).

After Monterrey, our networks will remain engaged with all these issues and closely follow the progress made on the implementation of the Conference commitments as well as critically monitor what further steps are taken to ensure an effective follow-up process. We hope the Conference in Monterrey and its follow-up will result not only in a set of basic principles or objectives. Many of these already exist. What we need now, are action-oriented initiatives with specific timeframes.

Much attention is currently focussed on the need to tackle terrorism in our world. However, lasting peace and security requires concerted action to tackle the terror of poverty, hunger and the associated lack of hope afflicting huge numbers of the earth's population. We therefore urge Governments to immediately build up an effective "International Coalition against Poverty".

CIDSE brings together 14 Catholic development organisations located in Europe and North America: <http://www.cidse.org> - 16 rue Stévin - B-1000 Brussels, Belgium, Tel: 32.2/230 77 22 - Fax: 32.2/230 70 82 - Email: postmaster@cidse.org.

Caritas Internationalis is a confederation of 154 Catholic relief, development and social service organisations present in 198 countries and territories: <http://www.caritas.org> - Piazza San Calisto 16, V-00120 Vatican City, Tel: 39.06/698 797 99 - Fax: 39.06/698 872 37 - Email: caritas.internationalis@caritas.va.

VIVAT International is a network of the Sisters Servants of the Holy Spirit and of the Society of the Divine Word present in 61 countries, which works on issues of social justice, development, peace and ecology: <http://www.vivatinternational.org> - 211 East, 43rd Street, Suite 706,7th Floor, New York, NY 10017-4707, USA - Tel.: 1.646.487 00 03 - Fax: 1.646.487 00 04 - Email: viny@vivatinternational.org.

Pax Romana ICMICA is an international association of Catholic lay organizations, groups and individuals, mainly professionals and intellectuals present in more than 40 countries which are committed to peace, justice and solidarity: <http://www.paxromana.org> - C.P. 315, 15 Rue du Grand-Bureau, Geneva 24, CH-1211, Switzerland - Tel.: 41.22.823 07 07 - Fax: 41.22.823 07 08 - Email: miicmica@paxromana.int.ch.

Franciscans International works in the areas of peace-making, care for the poor and concern for creation: <http://www.FranciscansInternational.org> - 211 East 43d Street, New York, NY 10017-4707, USA, Tel.: 1.212.490 46 24 - Fax: 1.866.283 01 34 - Email: franintl@FranciscansInternational.org.

Medical Mission Sisters are engaged in the 5 continents and are present in 20 countries - 8400 Pine Road, Philadelphia, PA 19111, USA - Email: philoa@medicalmissionsisters.org.

Missionary Oblates - Justice & Peace/Integrity of Creation Office, 391 Michigan Avenue NE, Washington DC 20017, USA - Tel.: 1.202.281 16 08 - Fax: 1.202.636 94 44 - Email: seamus@omiusa.org.

School Sisters of Notre Dame is an international congregation of Catholic religious women present in 32 countries which is involved in education and issues of justice, poverty, human rights for women and children and external debt. SSND, UN/NGO office, 709 Hall street, Mamaroneck, New York, NY 10543, USA - Fax: 1.914.381 16 84 - Email: ethhowley@aol.com.

International Presentation Association of the Sisters of the Presentation: 410 West 40th Street, New York, NY 10018, USA - Tel.: 1.212.629 42 58 - Fax: 1.212.629 42 59 - Email: pbvmipa@msm.com.

ANNEX 2: Statement to the UN High-level Dialogue on FfD, October 2007

UN General Assembly High-level Dialogue on Financing for Development

Statement submitted by the following Non-governmental Organization in Consultative Status with the UN Economic and Social Council: Caritas Internationalis & International Cooperation for Development and Solidarity (CIDSE)

New York, 23-24 October 2007

FROM MONTERREY TO DOHA: THE WAY FORWARD

The Monterrey Consensus of 2002 was clearly agreed to provide an initial framework for action. Five years on, the challenges involved in implementing the Consensus are no less. The mid-term review of the Millennium Development goals has revealed that greater efforts are needed from all sides to achieve these goals. Leaders need to send a signal to the international community that they recognize the urgency of the situation. The modalities for the preparatory process and the Conference should reflect the magnitude of its challenges.

For this it is essential that:

- All stakeholders are involved in the preparatory process and in the Conference, just like in Monterrey. Adequate avenues for their participation should be ensured.
- The Doha conference is attended by heads of states and inter-governmental organisations.
- The process and the Conference are willing to entertain, within the boundaries of the mandate of the Monterrey Consensus, innovative ideas and proposals.

CIDSE and Caritas Internationalis fully appreciate the great value of this process and the ensuing Doha Review Conference. Following up from Monterrey, it should have the mandate to agree on coherent measures in areas such as taxation, investment, trade, debt and structural reform to accelerate development with the final objective being poverty eradication. Discussions during the preparatory process and the Conference itself would lose their dynamism by being only retrospective. Rather, we urge that the final objective of this whole process and the Conference itself be to build a consensus that is reflected in an Outcome Document.

Important issues that our networks would expect to be reflected in such an outcome document are listed below:

Mobilization of domestic resources

The effective mobilization of domestic resources is at the core of sustainable development. Yet net capital transfers from the South to the North continue to be positive. The consequence of this drain of the resources of nations that need them the most are all too visible. In this regard, key actions needed are:

- **More effective international cooperation on tax and fiscal matters**, as already indicated by the Monterrey Consensus Declaration including combating tax haven and capital flight. This cooperation should include the strengthening of the "UN Committee of Experts on International Cooperation in Tax Matters" (the UN Tax Committee).
- **Guarantee financing of public services such as health and education.** International institutions and donors pressure developing countries to move towards trade liberalization, deregulation of capital flows and restrictive fiscal targets. Such policies counteract efforts to appropriately mobilise much needed revenues to increase spending in health, education or the implementation of demand-driven programmes for stimulating the economy. Governments are therefore forced to make up revenue through pay-roll or consumption-based taxes.

ODA/ Innovative sources of finance

In spite of the repeated commitments to raise ODA, the OECD shows a decline in ODA figures between 2005 and 2006. Moreover, aid volumes in the year before received an artificial boost only by counting figures arising out of debt-reduction arrangements with Iraq and Nigeria. Promises made in this regard in the Monterrey Consensus should be recalled so that they are finally fulfilled. Further than this and reflecting recent discussions on aid, ambition should not be limited to promises made five years ago. In this context, we urge that:

- The commitment to spend 0.7 % of GNI in overseas aid be upheld by all donors and clear timetables are announced by donors who have not yet made clear how they will reach this commitment.
- All debt relief be additional.
- The OECD standards on aid reporting, particularly associated with the counting of debt relief, student and refugee costs be reviewed to allow for more honest and transparent reporting of aid outflows.
- Progress on commitments on aid effectiveness, harmonization and alignment with the final goal of poverty eradication be monitored by independent and objective mechanisms.

The five years that have ensued since Monterrey have also seen rising attention for innovative mechanisms to finance global public goods as well as promising developments like the *Leading group on solidarity levies to fund development*. They have proven that it is possible to achieve more equal access to and distribution of global public goods through new mechanisms that allow fairer burden sharing.

A particular mechanism that serves these purposes is the Currency Transaction Tax (CTT). Much research and experiments in the last few years have tested and proven the practicability of this mechanism. This preparatory process should build upon these achievements and debates and take steps to further their progress by:

- Including the issue of international taxation for development incl. CTT on the Doha Conference agenda.
- Resolving to achieve clear commitment regarding implementation of innovative mechanisms. It is important that agreement is achieved that the structures that manage resources out of innovative mechanisms ensure transparency, accountability and participation of stakeholders in their use at national and international level. This will contribute to making a global partnership for development more real.

Debt

The Monterrey Consensus agreed on the need to “*link debt sustainability to financing required to meet the MDGs.*” In response to this mandate the international financial institutions came up with the Debt Sustainability Framework. Our networks believe that this framework continues to be unsuitable to meet both the Monterrey Consensus and a human development approach.

Only a binding, independent and predictable framework for arbitrating on sovereign debt claims would provide the incentive needed to stop irresponsible lending and ensure all lenders share in the burden of debt relief when this measure is required.

Systemic issues

The legitimacy and effectiveness of the Bretton Woods Institutions continues to be tainted by a regime where developing countries who make for the bulk of use of their services, have less than 25 percent of the effective voting power. Governance reforms currently under discussion seem limited to aligning voting power to economic power. They run the risk of sidelining low-income countries. This is

especially conspicuous at the IMF, where most of its programmes focus on low-income countries and also in the World Bank's International Development Association (IDA) whose only clients are low-income developing countries. The Doha process should address these anomalies by:

- Committing to reform the quota formula of the Bretton Woods Institutions to incorporate "demand" measures, such as external debt and vulnerability to external shocks.
- Looking at the double majorities' tool to increase the weight of low-income countries in decision-making. The share of basic votes in total votes, currently standing at less than 3 percent, should be raised to their original level of 12 percent. That is, more than a quadrupling of basic votes is needed.
- The universal enjoyment of human rights should be the framework within which mechanisms that create economic policies on trade and finance and the policies themselves should be designed.
- Mandating the ECOSOC to play an important role in this regard to ensure the coordination and coherence among other development agencies. This would also require that the ECOSOC be made more executive in its role and provided with strong analytical capacity.

CIDSE and Caritas Internationalis acknowledge that these measures are ambitious and far-reaching. They will not be achieved overnight. We therefore ask that the Doha Conference agrees to create a "Forum on Financing for Development." With such a forum necessarily involving the active engagement of Development and Finance ministries, key multilateral institutions, NGOs and the private sector, it will be indispensable to ensure an effective follow-up process to the Doha Conference.

CIDSE brings together 15 Catholic development organisations located in Europe and North America:

<http://www.cidse.org>

16 rue Stévin, B-1000 Brussels, Belgium – Tel.: 32.2.230 77 22 - Fax: 32.2.230 70 82 – Email:

saldanha@cidse.org

CARITAS INTERNATIONALIS is a confederation of 162 Catholic relief, development and social service organisations present in over 200 countries and territories: <http://www.caritas.org> - Piazza San Calisto 16, V-00120 Vatican City

Tel.: 39.06.698 797 99 – Fax: 39.06.698 872 37 - Email: caritas.internationalis@caritas.va