Financing Development Through Redistribution

CIDSE and Caritas Internationalis Position Paper

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Introduction

This position paper deals with the current views of the CIDSE and Caritas Internationalis networks on issues of global redistribution of wealth and power. It was prepared by a joint working group from CIDSE (*International Cooperation for Development and Solidarity*), a network that brings together fourteen Catholic development organisations from Europe and North America, and Caritas Internationalis, a network of 154 Catholic relief, development, and social service organisations present in 198 states and territories throughout the world.

As Church-related organisations, both CIDSE and Caritas Internationalis are guided by Catholic social teaching. Catholic social teaching (CST) is not a set of detailed prescriptions on social organisation and action, but rather a framework of values that provides questions, guidelines, priorities and motivations for structuring society so that human dignity is promoted. We view society through the lens of CST because we believe that every person is sacred, and therefore the structures of society cannot be simply neutral or subject to political manipulation. This document is inspired by social teaching – it is explicitly highlighted in some places and the whole underlying foundation and implicit norms are grounded in it. We enter the debate over redistribution from the perspective of this rich teaching. In our work we consider it as being "authoritative", not because it stems from "authority" but because it is "authorised" through the cogency of its arguments and the urgency of its demands.

Caritas Internationalis and CIDSE have been working together for several years on the issue of social justice, which they believe is closely linked to respect for human rights, satisfaction of the basic needs of all people and peace-building. These are essential conditions for equitable and sustainable development. Concerning social development, our networks have decided to carry on with the initiative launched in 1994 in preparation for the United Nations Summit on Social Development[1].

This new approach aims to ensure that the commitments made at the 1995 Copenhagen Summit are fully implemented. It is possible to eradicate world poverty[2]. CIDSE and Caritas Internationalis urge governments to take concrete actions based on the commitments they made at this summit. By working together, our Catholic networks, which represent large sectors of Christian civil society, intend to monitor decision-making processes and, in line with faith-based principles, promote an ethical approach to tackling socio-economic problems.

Our goal is to promote a "preferential option for the poor', through *inter alia* redistribution of wealth and participation. These ideas are diametrically opposed to the prevailing ideology of accumulation of individual material wealth, with competition benefiting the strongest and economic growth as the main tool for development. In order to offset the negative effects of the globalisation process, which is devoid of social and political control, we consider good international political governance to be indispensable, and we aim to promote means of regulating the world economy at the political level.

In this paper, these principles are applied to tackling the levels, mechanisms and institutions needed to mobilise the necessary resources to achieve sustainable and equitable development and poverty eradication.

The "financial" aspects of development are emphasised, as they are the target of several major international initiatives in the near future. We make practical recommendations on how to enhance social justice in the run-up to these initiatives. The approach needs to be enhanced by corresponding and complementary social policies aimed at ensuring that economic opportunities and benefits are equitably enjoyed by women and men. Such social policies must be coherent with

[1] In 1994 CIDSE and Caritas Internationalis published a brochure with the support of Center of Concern (cf. sources).
[2] United Nations Development Programme - Human Development Report 1997.

existing global commitments on gender equality, women's empowerment and social development, such as the Beijing Platform for Action, the Convention on the Elimination of Discrimination against Women and the Copenhagen Declaration.

The most relevant opportunity is the International Conference on Financing for Development to be held in the spring of 2002. This is a special event as collaboration has been organised between the United Nations, the IMF, and the World Bank, and in consultation with the World Trade Organisation. These major global organisations will jointly seek new and existing resources for development co-operation, and address the issue of debt. It will also be an ideal forum to discuss new ways of raising resources for development and of tackling global systemic issues. A UN Secretary General's report, issued in early February 2001 for the Preparatory Committee of the Conference, which met in February 2001, sets the agenda and reviews the issues (A/AC.257/12, available at: www.un.org/ffd).

The agenda is as follows:

- Mobilising domestic financial resources for development
- Mobilising international resources for development: foreign direct investment and other private flows
- Trade
- Increasing international financial cooperation for development through, *inter alia*, ODA
- Debt
- Addressing systemic issues: enhancing the coherence of the international monetary, financial and trading systems in support of development.

UN Millennium Declaration: resolution adopted by the General Assembly on 8 September 2000:

"We, heads of State and Government, have gathered at United Nations Headquarters in New York from 6 to 8 September 2000, at the dawn of a new millennium, to reaffirm our faith in the Organisation and its Charter as indispensable foundations of a more peaceful, prosperous and just world". (para 1)

"We recognise that, in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to all the world's people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs." (para 2)

"We reaffirm our commitment to the purposes and principles of the Charter of the United Nations, which have proved timeless and universal. Indeed, their relevance and capacity to inspire have increased, as nations and peoples have become increasingly interconnected and interdependent." (para 3)

"We are concerned about the obstacles developing countries face in mobilising the resources needed to finance their sustained development. We will therefore make every effort to ensure the success of the High-level International and Intergovernmental Event on Financing for Development, to be held in 2001." (para 14)

"We also undertake to address the special needs of the least developed countries. In this context, we welcome the Third United Nations Conference on the Least Developed Countries to be held in May 2001 and will endeavour to ensure its success." (para 15)

This document is divided into three parts:

1) General principles of redistribution are considered and applied to the amount of resources needed to fulfil the goals of reducing poverty using the growing international consensus and the 2015 international development targets as a starting point.
2) Some current major financial mechanisms by which resources for development and poverty eradication are mobilised are discussed and evaluated. Official development assistance, reduction of external debt, and innovative mechanisms to mobilise resources, notably through the introduction of a currency transaction tax, are dealt with.

3) Consequences for global governance are reviewed and a global redistribution of power is advocated.

Summary of CIDSE/Caritas Internationalis' recommendations

Redistribution through official development assistance (ODA)

➢ ***A public campaign to reach the international development targets***

All major donor governments should make a public commitment to invest the necessary level of financial resources to - as a minimum - achieve the 2015 international development targets. All donor countries should reach the UN 0.7 % ODA of GNP target as soon as possible and set out a specific time frame for doing so. Our members among the OECD countries are ready to support a campaign at national level to raise public awareness on the importance of ODA.

➢ ***Financing of sustainable social development***

Official development cooperation should be directed towards sustainable social development in the broadest sense of the term: sustainable in terms of both time and space, supported by a broad section of the population, and in the interests of - and with the participation of - the poorest. Greater effectiveness of aid requires recipient governments and civil society to be at the centre of their development programmes and to develop their own comprehensive poverty reduction framework. Poverty reduction must be the overriding objective of official assistance.

➢ ***Financing of global public goods***

- There is an urgent need to dedicate a significant part of official development assistance to global public goods. The longer we postpone tackling global problems, the greater they become. Therefore, global public goods should explicitly be taken up in the agenda for international cooperation**;** this task could be undertaken by the UN.

- Incentives must be found to encourage the private sector to contribute to financing global public goods. Nevertheless, they will have to be partly financed through ***additional*** ODA funds. In partnership with all the interested parties involved, the UN should explore possible new approaches to coordination and funding of global public goods.

➢ ***Better coordination and transparency***

- Within the OECD Development Assistance Committee (DAC), various donor countries review and compare their aid mechanisms and results. An extension of this concept to the recipients of ODA could deliver the necessary transparency, but also create trust on both sides. Therefore, recipient countries should also establish a similar grouping to exchange views on ODA and obtain a more powerful voice at international fora.

- Round Tables or Consultative Groups and other mechanisms in recipient countries with all official and non-official interested parties, must be encouraged in order to create transparency, achieve better coordination and flexibility of assistance, harmonise donor procedures, and reduce multiple programme instruments, which are currently required from recipient countries. A common pool approach should be adopted that would finance recipient countries' own development strategies and prevent donor coordination problems.

- The United Nations needs to develop a concrete instrument through which international experts would examine the national and international costs of applying the programmes devised since the various UN conferences. This examination should indicate the pros and cons of these programmes. Then the United Nations should draft a political guide to indicate what sort of aid can and cannot be covered under official development assistance (ODA). In this connection, ODA needs to be targeted exclusively towards poverty eradication.

- Development assistance should be given untied. Where it is used to tackle emergencies, to invest in post-conflict reconstruction, or to combat the social devastation resulting from economic crises, it should be grant-financed rather than given in the form of loans. The same rule should apply where it is used to finance basic social and human development expenditures in the least developed countries.

Redistribution through innovative measures: a currency transaction tax

- Taxation is the main source of income for funding social development (education, health and other public services). Through progressive taxation, the aim of reducing income inequalities and promoting social and gender equity could be achieved. However, in many countries, the wealth distribution system through taxation and duties is still non-existent or ineffective.

- At the international level, various sources of income linked to economic and financial activities are not always taxed, and yet they generate considerable profit for institutions and business. Many innovative tax proposals have been made over the years to generate additional financing for development, either nationally or internationally. At the moment, the most developed and discussed proposals are an international air transport tax (IATT), a carbon tax and a currency transaction tax (CTT). For CIDSE and Caritas Internationalis, the introduction of a currency transaction tax should be considered.

- A currency transaction tax, as proposed by Professor Spahn, is a domestic instrument to raise revenue that can be dedicated to social and sustainable development purposes. The tax is technically far easier to implement than existing income tax systems. This proposal concurrently provides a certain amount of revenue, a monitoring device, and effective protection against major currency crises. Some governments have successfully implemented similar measures. Ideally, this domestic tax instrument should function in the context of an international agreement in order to avoid tax competition between different nation states. The advantages of this proposal are gaining respect from a growing number of experts with international expertise and reputation.

- Money markets are highly concentrated in a few major countries. This means that if a tax on financial speculation were introduced, those countries where these markets are located (the United Kingdom, the US, and Japan) would suddenly have a large amount of extra revenue, while countries with small financial markets would generate very little revenue. To avoid this situation, some sort of redistribution mechanism has to be established.

- The United Nations, in collaboration with relevant international financial institutions, could establish an international agreement on redistributive measures if such a currency transaction tax were introduced. This agreement could feature the exact methods to be used regarding application, monitoring, possible sanctions, and the way in which the revenue from this tax could be spent and redistributed. Collection of the tax would come under the jurisdiction of each member state, but the conditions of the international agreement could provide for it to be carried out globally in the same way at the same rate, and as such avoid new tax competition between nation states.

Debt Cancellation and Poverty Reduction Strategies

- Caritas Internationalis and CIDSE want to stress that the issue of poor countries' external debt is still far from resolved. Further debt relief is needed and must be financed strictly by additional resources.

- The central flaw of the HIPC Initiative lies in the narrow criterion used to assess the level of debt countries can afford to sustain. CIDSE and Caritas Internationalis urge a thoroughgoing review of the notion of debt sustainability promoted by the Bretton Woods Institutions.

- If debt reduction is to contribute to poverty reduction, then poverty levels must be part of the determination of the debt servicing levels that a country can sustain. If the international development targets (IDTs) are taken seriously, the current grouping of HIPCs eligible for debt relief has little or no capacity to service its debts. According to preliminary calculations made by CIDSE and Caritas member organisations, if the HIPCs are to attain the 2015 IDTs, they need to be eligible for 100% debt cancellation.

- It is for this reason that CIDSE and Caritas Internationalis are asking the richest nations, which are also the main shareholders of the international financial institutions, to promote a more in-depth initiative including 100% cancellation of multilateral debt of the poorest countries, in order to provide a much greater decrease in debt repayments and consequently free the necessary resources to fight poverty.

- Caritas Internationalis and CIDSE invite creditor governments and institutions to review the imbalances in current decision-making processes in international debt management.

- Apart from relying on debt reduction and increased grant financing to provide the necessary funding for reaching the 2015 international development targets, poor countries will continue to rely on new loans (i.e. new debt), albeit on concessional terms, often from multilateral institutions. Therefore, the potential that a debt crisis will recur in the future must be addressed.

- Caritas Internationalis and CIDSE believe that this fundamental shortcoming is intrinsically linked to the imbalance in decision-making in international debt management. Looking at the relevant fora where debt is negotiated, we find that creditors are the ones who define the process, establish the rules, and decide upon particular cases based on information and analysis they have generated or commissioned. While such a structural imbalance between parties in a court of law would be completely unimaginable between creditors and debtors within a national context, this situation remains largely unchallenged between sovereign debtors and creditors at the international level. In order to find a long-term solution to over-indebtedness for countries, the question of insolvency and of a fair and transparent arbitration procedure on debt should be explored.

- Caritas Internationalis and CIDSE have always considered it vital that the money released by debt relief be used to combat poverty. We welcomed the IMF and the World Bank announcement that poverty reduction was to be at the core of their policy regarding developing countries and that national poverty reduction strategies were to be developed by countries themselves through a process involving the participation of civil society. Yet, nearly two years later, as each country goes through its own process of developing a poverty reduction plan, the experience suggests that it is far from fulfilling its promise. Both the concept and the practice of the Poverty Reduction Strategy Papers have revealed a series of flaws which must be improved: PRSPs are partly damaged by the link to the HIPC Initiative; PRSPs are still endorsed by the Boards of the IMF and the World Bank; the core set of macro-economic policies still shows resistance to change and the participation of civil society is highly uneven.

Redistribution of Power - Global Economic Governance

- Stronger democratic control of the international financial institutions and their consistent transparency vis-à-vis civil society organisations is required. A first step would be the establishment of an independent external evaluation of the performance of the international financial institutions that responds to requests from member states and civil society, in particular women's groups;

- Adequate representation and participation of all states is required, especially of developing countries, in the decision-making and governing bodies of the international financial institutions. Voting rights must be more representative and less unequal.

- Economic reforms need to complement national policies by increasing women's access to resources such as land, information, knowledge and technology. Women need to access the wage economy and achieve non-discriminated participation;

- Economic and financial decision-making powers must be transferred away from ad-hoc groups and fora with a limited membership (e.g. G8, Paris Club) towards bodies that have clearly defined intergovernmental mandates, with more universal membership and participatory decision-making processes. As a start, modalities must be developed for bodies with limited membership (e.g. G8, G20, Financial Stability Forum) to ensure fully inclusive, participatory, accountable and transparent processes;

- International economic and financial institutions must ensure that their policies are coherent and in better cooperation with the UN and its agencies, consistently angling towards the primacy of poverty eradication and sustainable (i.e. environmentally sound and socially just) development. It is necessary to carry out economic monitoring and social impact assessments in the international financial institutions, the WTO and the UN agencies.

- In this regard, policy co-ordination by the United Nations General Assembly and Economic and Social Council (ECOSOC) is needed in order to enhance coherence of the international financial and trading systems. Periodic roundtable meetings in the context of the UN General Assembly sessions must be convened to address global economic and financial policy questions. These meetings should involve relevant international institutions as well as civil society.

- An Economic and Social Security Council – as proposed by the UN Commission on Global Governance in 1995 - should be established that would have the same standing on international economic matters the Security Council has with regard to peace and security. As a first step, the ECOSOC should be strengthened. It should meet more frequently, for short, focused meetings on priority topics as needed, in order to make a more effective use of the Council as a forum for dialogue to achieve policy coherence and coordination. With participation of civil society, the ECOSOC should also regularly review:
  1. the implementation of the decisions made at the Financing for Development International Conference,
  2. the attainment of the internationally-agreed development goals and the strengthening of regional cooperation, taking into account different cultural and economic views of development, specifically the gender dimension;
  3. the impact of finance and trade policies on sustainable and socially just development and progress made in policy cooperation.

- As proposed by the High-Level Panel on Financing for Development in its report commissioned by the UN Secretary General, a further step could be to create a Global Council within the UN to provide leadership on global governance issues. The Panel stated also that a Globalisation Summit with broad participation could pave the way to the creation of such a Council.

Part 1: Principles of Redistribution

1.1 Restoration and redistribution

In 1999, a worldwide campaign for cancelling the debt burden began. Supported and publicised by Christians and non-Christians alike, it became known as "Jubilee 2000". Declared a Jubilee year by the Church, the year 2000 was regarded as crucial for this campaign.

A Jubilee year as described in the Old Testament, which recurs every fifty years, is a time for restoration. The three basic elements of the economy need to be restored: debts must be cancelled (capital), land redistributed (means of production), and slaves released (labour). We wish to extend this principle of restoration and redistribution to the current balance of power in the world.

We need to restore balance in our relations with the South[3]. At present, the South produces ever more commodities and gets less and less for them; countries in the South have to pay off ever greater debts and thus invest less and less in areas such as education and health care; financial speculation halves the value of a currency in a matter of days and any hard-earned savings that people have are slashed by half; and the participation of women in the economy is mainly limited to basic survival activities, making it difficult for them to achieve cultural, structural or legal changes. We must put a stop to all these injustices.

This paper proposes to apply this principle of restoration and redistribution in three areas: the debt burden, financial speculation, and government resources for development cooperation.

We also wish to translate this principle into concrete political demands. Caritas Internationalis and CIDSE members – via support for NGOs in the South – are involved in redistribution. We would like governments to do the same by passing the necessary measures to achieve this. Governments have a duty to safeguard the resources at their disposal, which also entails taking care of the most vulnerable, in both the North and the South. As citizens we should remind governments of their duties and make sure they fulfil them.

These three issues are closely interrelated. If ODA is given as loans and coupled with other loans - for example those from private banks - debt burden can build up and become so high that it seems impossible to repay in the case of rising interest rates on international markets, decreasing terms of trade as well as internal factors such as unsound economic policies, conflict, or natural disasters.

Currency crises, mainly due to financial speculation, mean that many countries - even those with sound economies - are finding themselves burdened with fresh debts. We are referring to countries such as Indonesia, Thailand and Brazil, as well as those with economies in transition. When a currency crisis hits, poverty rises and requires more development aid to combat it.

The question of world trade is closely linked to these issues. Access to developed country markets, stable and fair commodity prices, and support for export diversification are crucial for developing countries. Equally critical, in terms of food security and health care, are flexible rules on trade-related intellectual property rights (TRIPs) and a ban on patents on all life forms.[4]

[3] The principle of restorative justice was an underlying ethical factor at the Lomé Conventions (the trade agreements between Europe and her former colonies in Africa, the Caribbean and the Pacific - the so-called ACP countries).
[4] For more information: CIDSE (March 2000), "Biopatenting and the Threat to Food Security – Christian and Development Perspective" and CIDSE (September 2001), "Food Security and the WTO".

1.2 A new plea for greater redistribution

1.2.1 Criticism on development aid

Official development assistance (ODA) – i.e. from government to government - has often been misused. We need only to think of the Cold War era, when ODA was used to strengthen supporters of one block and to weaken the opposition of the other camp. ODA was sometimes simply an extension of foreign policy and was often used to serve merely commercial interests in order to promote exports from the donor country or to support its own investments. In recipient countries too, ODA was sometimes misused: to build up military arsenals; to oppress a country's own people; for the personal enrichment of those in power; for ineffective prestige projects, and so on. Consequently, ODA received a great deal of criticism, much of which was justified.

Aid efficiency

There is however, a danger of throwing out the baby with the bath water. Misuse undoubtedly existed and still exists, but that does not mean that all development aid is unproductive. Through the efforts of governments and the local population, among other factors, many countries have succeeded in reducing child mortality and increasing life expectancy and food security. In almost all countries receiving ODA, per capita income has risen. Misuse of development aid should not affect the principles behind it, and there are strong arguments in its favour. ODA remains critical to the development prospects of LDCs and is urgently needed to empower the poor, support their poverty reduction and pro-poor growth strategies, and to reach internationally agreed development goals (see annex 1), amongst which are halving poverty by 2015. Many of these arguments stem from international agreements, in particular the social, environmental and development commitments laid down at UN conferences in the 1990s and at the Millennium Summit.

A new partnership

The effective implementation of development aid requires a new partnership between donors and recipients that should be built around the recipient countries' own poverty reduction and development strategies. This entails effective international management, including measures to combat misuse.

Increased public monitoring of the behaviour of both donors and recipients would help to guarantee this. With increased democratisation, development aid is no longer a matter for governments alone. Organised citizens (the so-called civil society), with a particular attention to include women's groups, need to become as closely involved as possible in the planning, design and implementation of projects.

All those involved should play their assigned role: the state must fulfil its obligations, and non-governmental organisations (NGOs) and other civil organisations should on no account take over or replace the role of the state. They play an important role in monitoring and supervising the smooth running of the democratic process. All too often, people are obliged to take their own initiative and implement projects that should be carried out by the state. We only have to think of such issues as installation of sewers in districts or road network maintenance.

Even though projects organised by NGOs usually seem to cost less and to work more efficiently, this is not a justification for minimising the role of the state. NGOs should not be subcontractors of the state. To ensure a good partnership, each partner should operate as efficiently as possible and respect the other partner with regard to the specific task at hand. For NGOs and state institutions alike, a transparent policy with maximum involvement is the best guarantee of a sustainable partnership so that the results benefit the most disadvantaged.

1.2.2 Human dignity

For generations, women have played a major role in economic life. They look for economic solutions and, at the same time, they maintain their specificity, namely integration within the social network. They contribute extensively to the national economy, but their contribution is not yet fully recognised as many of them are part of the informal sector and/or a non-monetary economy. As some authors have already indicated, although women do two thirds of economic work, they only receive one tenth of the revenues created and only one hundredth of all the goods and services produced worldwide.

Justice should be restored through redistribution and tackling the root causes of injustice. Catholic social teaching puts human dignity at centre stage: every human being is sacred. All people are created in the image of God and are the sign of God's presence on this earth (*Genesis: 1.27*). Each person has a fundamental value that is rooted in our creation. Human dignity is the yardstick by which all economic, political and social systems are measured. For Christians, this human dignity underpins the moral duty to help rid the world of human suffering, of which poverty is one of the worst manifestations. This is why we are involved in and advocating for redistribution of wealth. Based on our common humanity, this principle is acceptable to everyone, whatever their faith or beliefs.

The figures that demonstrate the gap between the rich and poor are well known: the wealthiest 20% of the population earn 86% of the world's income, or 74 times more than the 20 poorest countries. More than 1.2 billion people live in absolute poverty on less than USD 1 a day (as indicated by the UNDP). Women and children are the most vulnerable: 70 % of those who are illiterate are women. Other than purely economic indicators that measure other aspects of poverty - such as freedom of thought and expression, welfare, and justice - would reveal even more dramatic figures. Human dignity should be the fundamental reference point for drawing up economic and social policies.

Catholic social teaching emphasises the “universal destiny of the world’s goods.” This principle means we believe it is God’s plan that the goods of the earth should be for the benefit of all people, not simply for the most powerful or the most clever. Private property is undoubtedly a right, but as John Paul II has repeatedly reminded us, all property has a “social mortgage.” This means that the right to own property and use it for one’s benefit is dependent on the contribution that this property makes to the common good. In fact, Catholic teaching (e.g., Paul VI’s Development of People, 1968) even goes so far as to propose the radical teaching that land not used for the good of the community can be possessed (confiscated) by the landless for their needs. In this light, then, when we speak of redistribution we are actually talking about the equitable sharing of what is by right the goods of all.

Amount of aid needed to combat poverty

If it is universally accepted that it is a human duty to achieve at least some degree of redistribution, then the question arises of how much we should share. It is impossible to come up with an accurate figure for the global funding needed to provide basic social services for all. A lack of data means that a precise cost calculation of all the elements of these services cannot be made. Rough estimates and regional averages have produced orders of magnitude for these resources between 1995 and 2005 that amount to from USD 206 billion to USD 216 billion per year (see table on the next page). ODA per capita of the donor countries was approximately USD 66 in 1996-1997. Ten years earlier it was USD 75. In 1997, in seven donor countries, it was over USD 100 and in four other countries less than USD 35 per capita. Instead of moving towards the internationally agreed level of 0.7 % ODA of Gross National Product (GNP), ODA declined as a whole from 0.33 % in 1992 to 0.24 % in 1999.[5]

[5] Source: UN SG report, N.Y. 2000, para 88.

Closing the financing gap

Given that approximately USD 206 to 216 billion are needed to provide basic social services for all, and that an estimated USD 136 billion are spent on these services, there is a shortfall of around USD 70 to 80 billion per year.

This shortfall is about twice as much as an earlier estimate of between USD 30 and 40 billion, which was calculated in 1994 on the basis of available data from the early 1990s. The approximate doubling of the estimated additional resources required for universal access to basic social services indicates that significant progress still needs to be made in achieving many of the social development goals of the 1990s. It also reflects an increase in population and prices, as well as better estimates of costs.

The USD 70 to 80 billion shortfall could be eliminated and a minimum level of basic social services would be assured if developing countries allocated 20 percent of their budgets – and industrialised countries allocated 20 percent of their ODA – to those services. This would be contingent, however, on two factors: first, that the budgets of developing countries continue to represent, on average, roughly a fifth of a country's GNP; and second, that overall ODA does not decline further below 0.25 per cent of GNP.

However, to provide all people with access to basic social services of good quality by the year 2005, it would take full implementation of both the 20/20 Initiative and the long-standing commitment of donor countries to bring ODA to 0.7 per cent of their GNP.

(Source: Implementing the 20/20 Initiative – A joint publication of UNDP, UNESCO, UNFPA, UNICEF, WHO and the World Bank; September 1998)

Estimated cost of universal access to health, water and sanitation, and education

(Orders of magnitude, USD billion a year*)

Type of services	Current	Additional	Total
Basic public health package (including nutrition)	6	14	20
Essential clinical services	29	26-31	55-60
Reproductive health and family planning	10	8-10	18-20
Low-cost water and sanitation (rural and urban)	8	15-17	23-25
Universal primary education	83	7-8	90-91
Total	**136**	**70-80**	**206-216**

**Figures are expressed in US dollars at 1995 prices*

(Source: Implementing the 20/20 Initiative – A joint publication of UNDP, UNESCO, UNFPA, UNICEF, WHO and the World Bank; September 1998)

1.2.3 The right to development is a human right

The right to development has been recognised since 1986 as a fundamental human right. At the UN Conference on Human Rights in Vienna in 1993, it was agreed as being an individual human right. Within this right, development is interpreted as being a process whereby all individual human rights and fundamental freedoms can be achieved. Putting this into practice has a lot to do with combating poverty and achieving sustainable human development, as laid down by the international community during the UN conferences in the 1990s. There is a direct link between human rights and poverty eradication: poverty in itself is a denial of human rights, while violations of human rights often make it difficult to combat poverty effectively. If the right to development is universally agreed, then financing to achieve it must also be available. Otherwise there will be no progress. In view of the limited resources for health, education and other basic needs in developing countries, the countries with higher incomes have a duty to provide official assistance in order to allow developing countries to put the right to development into practice.

UN Millennium Declaration: resolution adopted by the General Assembly on 8 September 2000:

"We consider certain fundamental values to be essential to international relations in the twenty-first century. These include:
• Freedom. Men and women have the right to live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression or injustice. Democratic and participatory governance based on the will of the people best assures these rights.
• Equality. No individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured.
• Solidarity. Global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice. Those who suffer or who benefit least deserve help from those who benefit most…
• Shared responsibility. Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally. As the most universal and most representative organisation in the world, the United Nations must play the central role." (para 6)

"We resolve therefore to create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty." (para 12)

"Success in meeting these objectives depends, inter alia, on good governance within each country. It also depends on good governance at the international level and on transparency in the financial, monetary and trading systems. We are committed to an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system." (para 13)

"We will spare no effort to promote democracy and strengthen the rule of law, as well as respect for all internationally recognised human rights and fundamental freedoms, including the right to development." (para 24)

"We resolve therefore:
- *To respect fully and uphold the Universal Declaration of Human Rights.*
- *To strive for the full protection and promotion in all our countries of civil, political, economic, social and cultural rights for all.*
- *To strengthen the capacity of all our countries to implement the principles and practices of democracy and respect for human rights, including minority rights."* (para 25)

Aid also serves the self-interest of Northern countries

The arguments for broader development cooperation have until now been based primarily on moral grounds and human rights. In addition, there are other arguments that can be categorised as "self-interest".

The first relates to security. Countries that have reached an adequate level of sustainable development and a broad participation of all sections of the population in political decision-making processes seem to be less vulnerable to internal conflicts, which are capable of upsetting an entire region. All kinds of external influence, such as floods of refugees, and waves of crime and terrorism spilling over from one country to another, can destabilise a former "peaceful" situation. In several African countries, for example, economic under-development and the unfair distribution of wealth have contributed to almost constant economic crises, which in turn have given rise to violent internal tensions and civil wars.

Citizens in the industrialised countries, too, are – and feel – susceptible to the violence occurring in these crisis-hit countries. In social, political, economic and environmental terms, all countries are in some way interrelated, and people from the wealthy countries can – and sometimes do – become victims of natural disasters and economic crises or violence occurring far away.

1.2.4 The common interest: global public goods

Catholic social teaching has emphasised the promotion of the common good as a fundamental principle. This is the context of conditions within which people's full development is possible. Each person has the obligation to contribute to the common good – e.g. through taxes, respect for the environment, etc. – and each person has the right to benefit from the common good – through safety, peaceful conditions, etc. Development is described in the social teaching as "the movement from less human conditions to more human conditions" – conditions that are not just economic but also political, social, cultural, environmental, psychological, etc. But such development of the whole person can only take place within the whole community – and this is why promotion, protection and participation in the common good is so important. Global public goods are manifestations of this common good.

Globalisation has its supporters and its opponents, but it is a fact that the phenomenon, with its positive and negative effects, is growing. We also note that in this globalisation process, the poorest are becoming increasingly marginalised. More and more problems are taking on a universal dimension: epidemics such as HIV-AIDS, environmental problems, peace-building, conflict prevention, and financial crises. These issues call for international cooperation. At stake is the common interest or public goods. These are goods that are not normally supplied by the market. Global public goods are those public goods that transcend borders. The most familiar are natural elements such as air and water. Drinking water is a global public good that is becoming ever scarcer and is already giving rise to conflicts that could degenerate into wars. One of the elements in the complex conflict between Israel and Palestine is precisely the availability of water. The extensive felling of trees in the equatorial forests poses a threat to the atmosphere. The link between the devastation of the "lungs of the world" and the rise in ozone concentrations is clear. Alongside these material public goods, there are also abstract elements that can be termed global public goods, such as international financial stability, peace, justice, security and equality, as well as international law and new phenomena such as the Internet. Time and space are also factors here. So it is everybody's objective to keep the earth viable for future generations.

In our advocacy for more resources for development cooperation, we wish to emphasise that aid at local and global levels remains important. In any case, in view of the growing problems, there needs to be a significant increase in ODA in governments' budgets.

What do we mean by global public goods?
Public goods have two basic characteristics: they are necessary and in principle non-competitive. Thanks to these characteristics, we can distinguish them from private goods. Nevertheless other goods that were originally public are increasingly falling into private hands. This shift began first with commodities and then continued. Global public goods are multi-dimensional: they transcend both space (borders) and time (for example, generations). The purpose is also global: it is a question of goods for the whole of the world's population.

A worldwide policy for global public goods
A series of UN conferences were organised in the 1990s to address the major problems facing this world. Many of these conferences also looked at global public goods. With the increase in globalisation, there is a growing demand for a global policy or at least a cross-border policy. Many issues are currently spread across several international bodies. The most democratically constituted institution at the moment is undoubtedly the United Nations. Since its inception, many responsibilities have in fact drifted away from it towards other less democratic institutions such as the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO). The United Nations itself is struggling with persistent financial difficulties, partly because of the non-payment of member states' contributions. The demand for an international set of rules, whereby civil society would also be granted a full role, is coming increasingly to the fore. This applies not only in the case of international conflicts, but also to financial crises that have international consequences. The safeguarding of global public goods for coming generations is a crucial task in this connection.
But coherent global governance is not going to come about tomorrow. Many countries fear inappropriate interference in their sovereignty. But at least fundamental reforms and better coordination of existing

international institutions are current points for consideration. Starting from here it might be possible to develop global policy instruments (see Part 3).

Part 2: Redistribution of Wealth

2.1. Redistribution through official development assistance (ODA)

The UN Secretary General's report to the Preparatory Committee for "Financing for Development":

"Reaching the Development Goals will require effective domestic policies and improvements in national capacity and international policy coherence, as well as in aid delivery and coordination mechanisms. It will also require:
(i) additional resource transfers delivered with increasing flexibility;
(ii) concessionality levels (including grants) appropriate to the purposes and to the situation of recipient countries; and
(iii) a diversity of aid channels to provide recipient countries with a range of options appropriate to their needs (including emergency and humanitarian assistance). In this context, the erosion of voluntary contributions to the Funds and Programmes of the United Nations development system is a serious concern.

Donor countries should be called upon to redouble every effort to increase the amount of ODA and meet international commitments in this regard without any further delay. Donors should undertake an immediate commitment to avoiding any declines in ODA and, in the case of countries where ODA still accounts for well under 0.7% of GNP, they should pledge to honour existing commitments to steady increases in real ODA flows within a defined time frame. Donor countries should also be urged to explore determinedly not only how they can improve the amount of ODA they provide but also the flexibility with which resources are made available." (para 92)

2.1.1 The old political commitment

After the end of colonisation in the 1960s, Western countries wanted to give financial help to the Third World. The first agreements related to 1% of Gross National Product (GNP: all goods, services, and other economic achievements of a country during one year). In 1970, in the "International Development Strategy for the Second United Nations Decade", the 0.7% target was adopted. This is a promise that the OECD countries themselves agreed within the framework of the United Nations. Unfortunately, putting this promise into practice has increasingly meant putting ODA on the back burner in most countries. Only the Netherlands, Norway, Denmark and Sweden have actually implemented it. Norway (0.91% in 1998) and Denmark (0.99% in 1998) have even come close to the old pledge of 1%. Belgium was in the middle bracket of the rich countries with 0.35% in 1998, 0.30% in 1999 and 0.36% in 2000. The United States continues to score the worst with 0.10% in 1998.

Although all governments over recent decades have consistently supported the promise of allocating 0.7% of GNP to development cooperation, ODA declined as a whole from 0.33 % in 1992 to 0.24 % in 1999 [6].

If non-governmental organisations are once again reiterating these demands, it is to urge governments to deliver on their own promises. It is precisely the politicians who are losing all credibility by constantly promising this but never carrying it out.

In many countries, the decline in ODA stands in sharp contrast to needs, especially in poorer countries.

[6] Source: UN SG report, N.Y. 2000, para 88.

2.1.2 Urgency of development aid

In our view, there are good reasons why now, more than ever, we should advocate for the complete honouring of the 0.7% promise to developing countries:

- Current budgets allow most Northern governments to achieve the 0.7% of GNP stepwise. Although many donor countries experience prosperity and budget surpluses, only a few have reversed the decline in ODA. Even in times when there is a slight drop in economic growth and a rise in oil prices, the prevailing economic circumstances leave enough room to achieve the 0.7% target.
- The needs of development cooperation should outweigh the policy of interests between states. But still, the danger of development cooperation remaining an extension of foreign policy and the promotion of foreign trade has not altogether disappeared. In the meantime, global problems such as the spread of AIDS, the devastation of the environment, increased poverty, and armed conflicts call for a global approach. The UN conferences in the 1990s mapped out the framework for this. The question now is how to implement these action plans and consequently how to finance them.

In fact, governments can no longer justify the decline in ODA. The only thing lacking is the political will to do what has been promised for so long. No individual government needs to wait for an internationally-agreed time frame to carry this out. Decisions and actions at national level can be taken immediately. Countries such as the Netherlands and Denmark did not wait for the others to step up their development aid.

> UN Millennium Declaration: resolution adopted by the General Assembly on 8 September 2000:
>
> *"We call on the industrialised countries:*
> *• To grant more generous development assistance, especially to countries that are genuinely making an effort to apply their resources to poverty reduction."* (para 15)

2.1.3 Recommendations

➢ ***A public campaign to reach the international development targets***

All major donor governments should make a public commitment to invest the necessary level of financial resources to - as a minimum - achieve the 2015 international development targets. All donor countries should reach the UN 0.7 % ODA of GNP target as soon as possible and set out a specific time frame for doing so. Our members among the OECD countries are ready to support a campaign at national level to raise public awareness on the importance of ODA.

> UN Secretary General report to the Preparatory Committee for "Financing for Development":
>
> *"The Development Goals arising out of the major conferences and summits of the 1990s, which were strongly endorsed by the Millennium Summit Declaration – including notably the poverty goal for 2015 – could thus be the basis for a new impetus for ODA."* (para 90)
>
> *"A dedicated, "high-visibility" campaign could be undertaken to argue forcefully for the required ODA resources in donor capitals and to prompt the relevant international implementing agencies in a constructive way. …*
> *A campaign for the Millennium Development Goals should be established. The campaign would have a limited life span of five years. Its mandate would be to consolidate information collected by different agencies and governments on progress towards the Goals in different countries, on costs implications at each stage, and on resource availability to fuel this progress."* (para 91)

➢ ***Financing of sustainable social development***

Official development cooperation should be directed towards sustainable social development in the broadest sense of the term: sustainable in terms of both time and space, supported by a broad section of the population, and in the interests of - and with the participation of - the poorest. Greater effectiveness of aid requires recipient governments and civil society to be at the centre of their development programmes and to develop their own comprehensive poverty reduction framework. Poverty reduction must be the overriding objective of official assistance.

➢ ***Financing of global public goods***

- *There is an urgent need to dedicate a significant part of official development assistance to global public goods. The longer we postpone tackling the global problems, the greater they become. Therefore, public global goods should explicitly be taken up in the agenda for international cooperation; this task could be undertaken by the UN.*

- *Incentives must be found to encourage the private sector to contribute to financing global public goods. Nevertheless, they will have to be partly financed through additional ODA funds. In partnership with all the interested parties involved, the UN should explore possible new approaches to coordination and funding of public global goods.*

A good example that works well and which is intended to safeguard a global public good for the future is the following: The Global Environment Facility (GEF) is a financial instrument that emerged from the UN Conference on Environment and Development (UNCED, Rio 1992). This facility enables countries in the South – in particular the Least Developed Countries – to face up to what the climate agreement demands of them, by supporting them in building up their own skills. In international terms, it is recognised that the GEF is one of the most efficient global financial instruments. An evaluation of the successful GEF mechanisms may serve as an example for other global funds and programmes.

➢ ***Better coordination and transparency***

- *Within, the OECD Development Assistance Committee (DAC), various donor countries review and compare their aid mechanisms and results. An extension of this concept to the recipients of ODA could deliver the necessary transparency, but also create trust on both sides. Therefore, recipient countries should also establish a similar grouping to exchange views on ODA and obtain a more powerful voice at international fora.*

- *Round Tables or Consultative Groups and other mechanisms in recipient countries with all official and non-official interested parties, must be encouraged in order to create transparency, achieve better coordination and flexibility of assistance, harmonise donor procedures, and reduce multiple programme instruments, which are currently required from recipient countries. A common pool approach should be adopted that would finance recipient countries' own development strategies and prevent donor coordination problems.*

- *The United Nations needs to develop a concrete instrument through which international experts would examine the national and international costs of applying the programmes devised since the various UN conferences. This examination should indicate the pros and cons of these programmes. Then the United Nations should draft a political guide to indicate what sort of aid can and cannot be covered under official development assistance (ODA). In this connection, ODA needs to be targeted exclusively towards poverty eradication.*

- *Development assistance should be given untied. Where it is used to tackle emergencies, to invest in post-conflict reconstruction, or to combat the social devastation resulting from economic crises, it should be grant-financed rather than given in the form of loans. The same rule should apply where it is used to finance basic social and human development expenditures in the least developed countries.*

2.2. Redistribution through innovative measures: a currency transaction tax

- *Taxation is the main source of income for funding social development (education, health and other public services). Through progressive taxation, the aim of reducing income inequalities and promoting social and gender equity could be achieved. However, in many countries, the wealth distribution system through taxation and duties is still non-existent or ineffective.*

- *At the international level, various sources of income linked to economic and financial activities are not always taxed, and yet they generate considerable profit for institutions and business. Many innovative tax proposals have been made over the years to generate additional financing for development, either nationally or internationally. At the moment, the most developed and discussed proposals are an international air transport tax (AITT), a carbon tax and a currency transaction tax (CTT). For CIDSE and Caritas Internationalis, the introduction of a currency transaction tax should be considered.*

2.2.1 What kind of currency transaction tax (CTT) are we talking about?

The original proposal

Most of the discussions on a currency transaction tax are based on the original proposal introduced by James Tobin in 1972.

This proposal consisted of levying a tax on short-term speculation, with the aim of reining it back and channelling the majority of capital into long-term investments. Tobin proposed introducing a tax of 0.5% (or 50 basis points) on all speculative transactions. It had to be a worldwide tax that was the same everywhere. Tobin also believed that this system would give governments greater autonomy to implement a good monetary policy, without denying the economic reality.

More than twenty years later, most of the arguments against any form of currency transaction tax are still based on the old Tobin proposal. They ignore the evidence and expertise that have been developed since 1972 and the answers given regarding the shortcomings of the original Tobin tax.

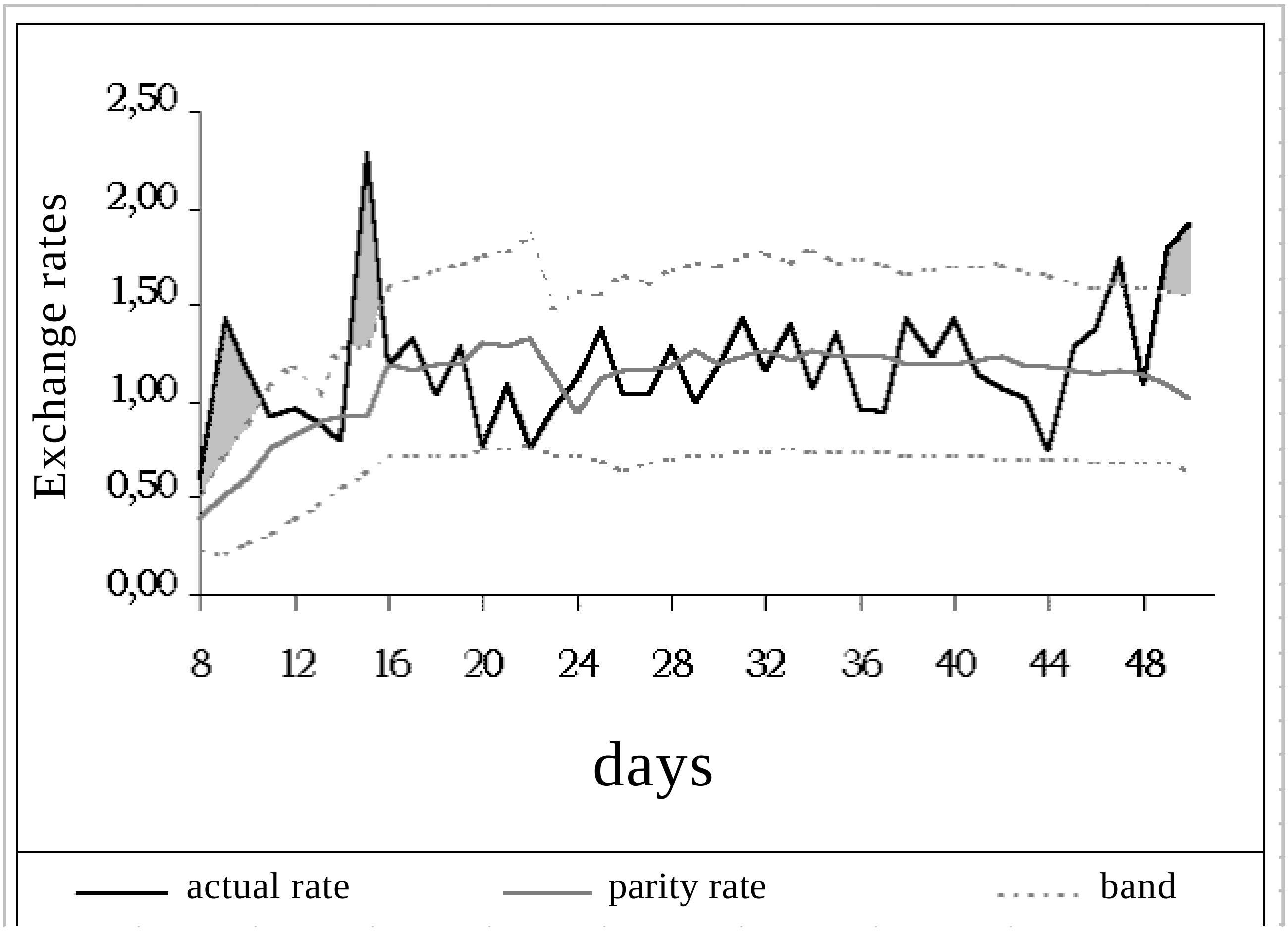
A two-rate tax system

In 1994, Paul-Bernd Spahn, Professor of Economics at the University of Frankfurt-am-Main, and at that time an IMF expert, wrote a memo about taxing financial speculation, based on the original proposals of James Tobin.

Spahn developed a proposal on the basis of a double taxation system:

- a minimum tax (0.01 or 0.02%, or 1 to 2 basis points) that would provide a constant income during "normal" market development;

- a very heavy tax (50 or even 100%) during a financial crisis; this would act as a circuit breaker to virtually halt trade if a currency was rising or falling sharply. A similar system is already used on stock markets when the situation becomes overheated.



Source: Spahn [1996].

Explanation of the graph

The horizontal line shows the days on which trade in the currency is carried out; the vertical line is the definition of the currency value. The graph itself has three kinds of line:

1. the black line is the current value of the currency, as defined by supply and demand
2. the grey line is the average value of a currency, defined by an upper and lower margin. The minimum tax is levied on this average value (central rate).
3. the dotted lines show the upper and lower margin of the currency value; the European Monetary System (EMS) provided this sort of band - it was also called the monetary snake on account of its shape - the EMS was the forerunner of the euro. As soon as the currency moves "out of the band", the heavy tax is applied (hatched parts).

The Spahn variant offers a number of advantages: the low tax (0.01%) does not disrupt normal market movements and provides a guarantee of constant revenue (albeit lower). The heavy tax is an effective tool for hindering excessive speculation and thus reduces the risk of crises like the one in Southeast Asia in 1997.

Taking the point of view that we wish to generate revenue and avoid crises, the Spahn variant provides the best guarantees.

Furthermore, this option is much more feasible politically, because both market economists and policy-makers alike see it as a realistic position. Even with the low tax at a very low rate (0.001 % or 0.0001 %), the monitoring device of this tax provides an instrument for tracking market movements and enables governments to take the necessary measures to avoid a major crisis. It is the ideal instrument to create time to act - the very time that governments lacked during the financial crises in the past decade.

2.2.2 This is a feasible tax

A few years ago, economist Rodney Schmidt was commissioned by the Canadian Ministry of Finance to examine how a currency transaction tax could be applied and monitored. According to him, on the basis of electronic networks and daily settlements between national banks, a currency transaction tax could be applied and monitored perfectly. So far, no one has demonstrated the opposite, and most people agree that Rodney Schmidt's application study could in fact be implemented effectively:

> Provided one of alternative sets of necessary conditions is fulfilled, taxing "wholesale" foreign-exchange transactions at the point of payment is likely to be the most watertight, economically efficient, and transparent method of controlling capital movements between currencies. Under these conditions, there is no reason to expect any distorting shifts for the sake of tax-avoidance in response to the controls. If it is desired that the controls should be selective, appropriate rebates can be given subsequently.
>
> The tax might be applied, for example, at a moderate rate over the medium term to reduce capital inflows to a particular currency area, or at a penal rate in the short term to halt a speculative capital outflow. It could also be imposed for national or international revenue purposes.
>
> The required conditions are these:
>
> 1. Any monetary authority, other than that of one of the four to six key currencies, can apply controls by this method independently and unilaterally on purchases or sales of its currency, provided it has a modern, domestic, large-value, payment system. This condition is now fulfilled by all the G10 countries, by most of the larger middle-income countries, and by some large low-income countries. Others are expected to fulfil it in the near future.
>
> 2. Controls by this method can be applied to any currency now, provided the four to six key-currency authorities cooperate to impose them.
>
> 3. Similarly, a uniform tax at a low rate on payments in wholesale foreign-exchange transactions could be applied across the world for revenue purposes, provided the key-currency countries cooperated to impose it.
>
> A combination of regulatory powers and transactions costs, the latter partly related to risk and contributing to economies of scale, would prevent significant "leakage" of transactions through the "retail" market. The reliability of this defence would be enhanced if any long-term taxes were imposed at very low rates, taxes for medium-term inflow-control purposes at moderate rates, and any penal rates applied only briefly.

On 22 October 1999, CIDSE and Caritas Internationalis organised an international expert meeting in Antwerp on this particular issue.[7]

In fact, even taking into account that some small problems remain (e.g. on some very complex derivative products), one can state that this currency transaction tax is far easier to implement than existing income taxes or the systems of value-added tax (VAT), which are common instruments in Europe and other Western countries.

[7] Report available at www.cidse.org under "publications".

2.2.3 This is mainly a domestic instrument

In debates on the old Tobin proposal, an argument that is often adduced is that at the present time, we do not have an international institution with the legal power to levy an international tax. In the new proposal, we do not need this at all. It has to be stated very clearly that this is a tax that can be raised by each individual government, provided it has the legal authority to levy taxes.

Furthermore, we have two examples of states that have already introduced a similar tax system:

- In Latin America, Chile levied a tax for some time on short-term capital invested in the country. In the IMF publication *Economic Issues* of September 1999, we read that "by taxing short-term capital, as implemented by Chile, hedge funds and other speculators were discouraged from making a sudden decision to move capital. The managers of hedge funds, who attach a great deal of importance to taking and changing positions with a minimum of cost, are especially sensitive to this type of measure". (*IMF Economic Issues*, n° 19, Barry Eichengreen: "Hedge Funds", Washington, 1999).

- In Asia in September 1998, Malaysia also took a number of steps to fight the financial crisis, including linking the Malaysian currency (the ringgit) to the dollar, introducing measures for the local stock markets and restricting the movements of the local currency into and out of the country.

(Although this policy was at first branded as taboo by the IMF, the Malaysian government later received the support of a number of leading economists, as well as from a number of countries in the region, including Japan.)

2.2.4 The revenue from a tax of 0.01% could double current official development assistance (ODA)

- *In principle, the money markets are highly concentrated into a few major countries. This means that if a tax on financial speculation were to be introduced, those countries where these markets are located (the United Kingdom, the US, and Japan) would suddenly have a large amount of extra revenue, while countries with small financial markets would generate very little revenue. To avoid this situation, some sort of redistribution mechanism has to be established.*

Part of the revenue in these markets could be allocated for domestic purposes. For industrialised countries, the proposal is to allocate about 20% of the revenue raised from the tax for social purposes in each individual country. The remaining 80% could be dedicated to development co-operation. Based on a simulation, the revenue of a tax of 0.01% could double current official development assistance (ODA).

For the countries in the South (not for Japan, Singapore, etc), it can be said that 100% of the revenue could be used for their own development. Their needs are great, whereas resources are scarce.

- *The United Nations, in collaboration with the relevant international financial institutions, could establish an international agreement on redistributive measures if such a currency transaction tax were introduced. This agreement could feature the exact methods to be used regarding application, monitoring, possible sanctions, and the way in which the revenue from this tax could be spent and redistributed. The collection of the tax comes under the judicial responsibility of each member state, but the conditions of the international agreement could provide for it to be carried out globally in the same way at the same rate, and thereby avoid new tax competition between nation states.*

2.2.5 Further relevant arguments

The monitoring device of a very low tax is an instrument for prudential regulation

Even at a very low rate, the low tax in the Spahn proposal functions as a monitoring device. This could provide more transparency in financial markets, which are now very "opaque" since they have been decentralised. Transparency is the first condition for the introduction of global prudential regulation by central bank authorities. Since the recent financial crises also affected Western markets, most of the central bank authorities are convinced that prudential regulation of financial markets is necessary for medium- and long-term economic policy-making.

Nevertheless, in the Spahn proposal it is still the market that decides as currency rates are based on average trade positions CTT is a good compromise between existing market mechanisms and a prudential policy, and as stated above, it gives governments time to take adequate measures without the fear of a sudden major crisis.

Effective protection and using national bank reserves for domestic development

Most small economies lack the capacity to build up sufficient national bank reserves to counter a major attack on their national currency. Most of these reserves are often low-return investments in one of the hard currencies. This is "immobile capital" until it is needed to protect the currency. With the high tax (the circuit breaker) in the Spahn proposal, those small economies do not need a large amount of useless capital, because their currency is protected by this system. The trade will slow down automatically without intervention from a central bank. This enables governments to invest most of that immobile capital in domestic development.

An ethical argument: evening out the burden on capital and labour

European and other Western countries generate their revenue mainly through taxation on labour. Belgium, for example, obtains 60% of its revenue from income tax. If a universal tax were applied on capital, the unfair distribution of the taxation burden could gradually be evened out. This would be much fairer than the current situation. It is a method for making employment less expensive by lowering the taxation burden, without having to implement new savings. This is also a good thing for any economy. Lowering the burden of taxation on income would be particularly useful in evening out the gap between men and women; the great majority of women have little or no interest-generating capital.

The CTT is a so-called "blind" tax: the tax itself cannot "see" how large your income or assets are - it is the same for everyone. As it is mainly the wealthy who speculate on currency, the tax would not burden ordinary or poor people. From the standpoint of distributing fairness, it is a good instrument for steering away from the gap between the rich and the poor.

2.2.6 Some preliminary conclusions

- *A currency transaction tax, as proposed by Professor Spahn, is a domestic instrument to raise revenue that can be dedicated to social and sustainable development purposes. The tax is technically far easier to implement than existing income tax systems. This proposal concurrently provides a certain amount of revenue, a monitoring device, and effective protection against major currency crises. Some governments have successfully implemented similar measures. Ideally, this domestic tax instrument should function in the context of an international agreement in order to avoid tax competition between different nation states. The advantages of this proposal are gaining respect from an increasing group of experts with international expertise and reputations.*

2.2.7 The subsequent stages at the international level for a CTT

The UN Secretary General's report to the Preparatory Committee for "Financing for Development":

"The macroeconomic policies of large industrial countries strongly influence the international economic and financial environment. These countries thus bear special responsibility for supporting vigorous global economic growth and the expansion of international trade and in dampening abrupt changes in interest rates and in international capital markets. At the same time, developing countries themselves must create new instruments to manage the risks associated with interest rate and exchange rate fluctuations, in order to deal with the new circumstances." (para 22)

"The General Assembly, at its twenty-fourth special session entitled "World Summit for Social Development and Beyond: Achieving Social Development for All in a Globalising World", called for "conducting a rigorous analysis of advantages, disadvantages and other implications of proposals for developing new and innovative sources of funding, both public and private, for dedication to social development and poverty eradication programmes." (Paragraph 142(g) of "Further Initiatives for Social Development"). Some delegations that sponsored this paragraph indicated their view that the proposals to be analysed should include inter alia those of national "currency transaction taxes". In addition, the possibility of establishing mechanisms of this type (geared not only at raising public revenues but also at attenuating some of the negative effects of sudden and significant changes in capital inflows and outflows) was one of the issues that received much attention in the "hearings" with civil society on Financing for Development held on 6 and 7 November 2000.
The high-level event should consider, as part of its deliberations, the results of a rigorous analysis of the advantages, disadvantages and other implications of proposals for developing new and innovative sources of funding, both public and private, which the Secretary-General will commission in accordance with the request made by the General Assembly in its resolution S/24-2." (para 113)

- Within the UN Commission for Social Development and in the monitoring process of the World Summit for Social Development, intergovernmental discussions resulted in placing this matter on the agenda, leading to the Special Session of the General Assembly of the United Nations, five years after Copenhagen, which was held from 26 to 30 June 2000 in Geneva. The Canadian government had called for "a further study of the Tobin tax" to be included in the negotiation texts for Geneva.

- In Geneva, due to resistance from the United States, a compromise text was agreed that refers to "a rigorous study of the advantages and disadvantages of ancillary and new forms of financial sources for development co-operation". When agreement was reached on this text, the Canadian and Norwegian governments had it recorded that they actually construed this to mean a study of a currency transaction tax. This study is being followed up within the UN. Caritas Internationalis and CIDSE, and many other NGOs, will monitor the outcome of this study.

- At the Regional Consultative meeting on Financing for Development in Asia and the Pacific (Jakarta, 2-5 August 2000), the participating governments stated: "A proposal was made for a currency transaction tax. Such a tax would simultaneously reduce volatility in the financial market and provide a major source of revenue far in excess of current levels of ODA, for development." [8]

- The Resolution of the ACP-EU Parliamentary Assembly on globalisation (ACP-EU 2976/A/00/fin), adopted on 11 October 2000 in Brussels/ Belgium "considers that the time has come to send out a signal heralding a new departure for the implementation of globalisation and calls therefore on the major industrialised countries and notably on the European Union, to introduce a tax on capital transfers as proposed by Professor Tobin." (para 21).[9]

[8] Report of the High-Level Regional Consultative meeting on FfD, para 65, at: www.un.org.ffd "Regional Meetings"
[9] Available at: www.europarl.eu.int/dg2/acp/bru2000/en/ resolutions.htm

- The Report of the High-Level Panel on Financing for Development, commissioned by the UN Secretary General, recommended on 28 June 2001: ”*We believe the Financing for Development Conference and the (proposed) Globalisation Summit should first discuss whether or not the world should have global, and not only sovereign, imposition of taxes. Next, if global taxation is considered desirable, they should proceed to discuss seriously the pros and cons of two such sources: a currency transaction tax and a carbon tax. We advise that before any political discussion, these possible new sources of international finance be examined purely on their economic and development merits and shortcomings… The Panel believes that further rigorous technical study is needed before any definitive conclusion is reached on the convenience and feasibility of the Tobin tax.”*

> The UN Secretary General’s report to the Preparatory Committee for “Financing for Development”:
>
> *“There is a growing need to improve arrangements for cooperation between national tax authorities. Increasing international economic and financial interdependence is constraining national capacity to set and enforce various tax instruments… Improved international cooperation between taxing authorities would serve, inter alia, to reduce opportunities for tax evasion and avoidance, contribute to mitigating the capital-flow instability to which developing countries are sometimes subject, and deploy tax incentives and disincentives in support of public goods, such as avoiding depletion of the global commons (para 140).*
> *To fill this gap, an international organization for cooperation in tax matters could merge the various international tax-related efforts into a single entity. Such a broad-based international organization could provide a global forum for the discussion of and cooperation in tax matters*…” *(para 142)*

2.3 Debt Cancellation and Poverty Reduction Strategies

2.3.1 Introduction

International debt is today a major obstacle to human development, forcing the world's most impoverished countries to use scarce resources for purposes other than meeting the most basic human development needs. External debt is a complex policy issue that carries with it a profound moral challenge. This challenge arises from the pernicious way in which the unpayable debts of the world's poorest countries affect the dignity, human rights, and welfare of some of the most vulnerable women, men, and children in our global community.

The moral dimensions of international debt extend to how it was contracted, who was involved in key decisions, which institutions are now primarily responsible for and in the best position to afford its resolution, and what criteria should be used to assess and structure the relationships of the individuals and institutions involved.[10]

In the last few years, CIDSE and Caritas Internationalis have been campaigning intensively for debt cancellation. Many of our member organisations have been key partners in the international "Jubilee 2000" movement. The campaign demonstrated that the movement in favour of debt cancellation of the poorest countries has massive and wide international support (exemplified by the gathering of 24 million signatures in the world's biggest petition).

With the HIPC (Highly Indebted Poor Countries) initiative launched in 1996, the issue of unpayable debt and its relation to poverty has found its way onto the international agenda. At the G7 meeting in Cologne in June 1999, the leaders of the world's richest countries promised to expand the initiative to write off a total of USD 100 billion of debt of about 34 of the poorest countries. Furthermore, thanks to the continuing pressure of international civil society, G7 countries announced that they would go further, on a bilateral basis, by expanding their debt relief operations roughly to 100%[11].

- *Caritas Internationalis and CIDSE wish to emphasise that the issue of poor countries' external debt is still far from resolved. Further debt relief is needed and must be financed strictly by <u>additional</u> resources.*

2.3.2 The HIPC initiative is a start

The Cologne initiative committed creditors to USD 100 billion of debt cancellation. As the total stock of debt of the 41 HIPCs is slightly more than USD 200 billion, the announcement of debt cancellation concerned about half of it. This figure breaks down as follows:

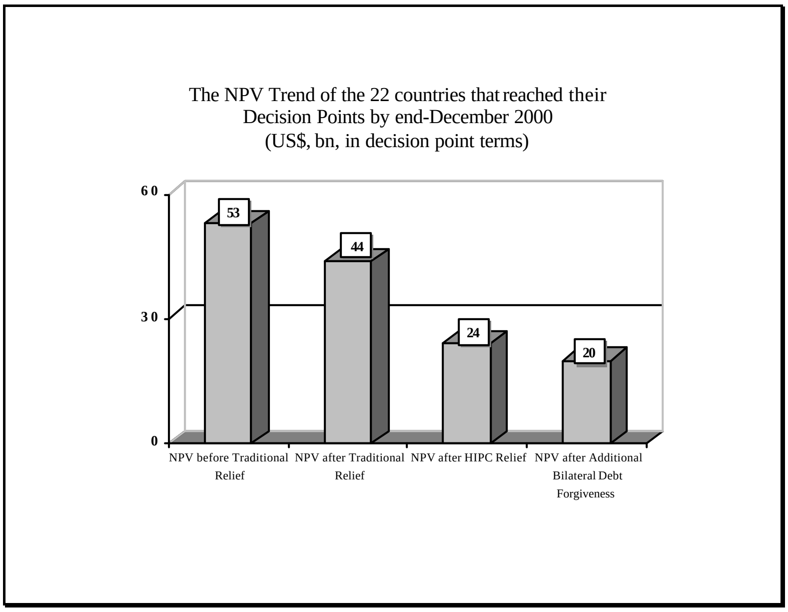
1. USD 20 billion in cancellation of bilateral ODA debt.
2. USD 30 billion under terms agreed to in 1994 by bilateral creditors through the Paris Club (Naples terms)
3. USD 25 billion from the previous HIPC initiative (HIPC I), agreed in 1996.
4. USD 28 billion from the "enhanced" HIPC initiative or HIPC II (agreed in Cologne).

The number of countries included in the HIPC initiative varies. When the World Bank and the IMF developed the HIPC framework in 1996, 41 countries were characterised as eligible for HIPC.

[10] See "Putting Life Before Debt" CIDSE–Caritas document (1998)
[11] However France, Japan, Germany do not include post cut-off debts.

However, instead of these 41 countries[12], the number of likely beneficiaries today is only 32, mainly because of criteria to judge a country's ability to manage its debt burden.

Among these 32 countries, the IMF and the World Bank managed to bring 22 countries[13] into the HIPC initiative by the end of December 2000. These 22 countries benefit from temporary debt relief service, which will, at the end of the process, lead to USD 34 billion in debt relief, in nominal terms (20.3 in NPV[14]). This means that these countries "will see their foreign debt reduced by almost half on average. Combined with existing debt relief programmes - such as those of the Paris Club of creditor nations - these countries will see their debts fall, on average, by about two-thirds (63% NPV debt reduction)", according to the IMF. [15]



Note: The Debt stock before any relief is estimated at USD 53 billion in NPV terms or USD 73 billion in nominal terms.

2.3.3 But disappointment is growing

Caritas Internationalis and CIDSE question the ability of the HIPC initiative to meet the challenge of the poorest countries' debt burden and call for a radical improvement of IMF and World Bank pledges towards 100% cancellation.

[12] The current HIPCs are Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Lao PDR, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Vietnam, Yemen, and Zambia. The original HIPC list contained two countries other than the present list: Nigeria and Equatorial Guinea. Malawi and Gambia were added to the original list, bringing the number of HIPCs again to 41.

[13] The 22 countries are: Benin, Bolivia, Burkina Faso, Gambia, Guinea, Guinea-Bissau, Guyana, Honduras, Cameroon, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Zambia, São Tomé and Príncipe, Senegal, Tanzania, and Uganda.

[14] The net present value (NPV) of debt is a measure defined as the sum of all future debt-service obligations (interest and principal) on existing debt, discounted at the market interest rate.

[15] Source: Joint Statement IMF Managing Director Horst Köhler & World Bank President James D. Wolfensohn – 22 December, 2000 available at: http://www.imf.org/external/np/hipc/2000/state/state.htm

Indeed, the IMF estimates that debt service payments of the 22 countries will be cut by only "one third on average".[16] This means that on average repayments will only fall "from around USD 3 billion in 1998 and USD 2.5 billion in 1999, to USD 1.8 billion in 2001 and USD 1.9 billion in 2002"[17].

Clearly, such marginal decreases in debt service repayments will not free enough resources to enable recipient countries to address internationally agreed development targets.

1. After reaching completion point, some HIPCs will be left paying more in debt servicing than they currently spend on education or health care (Bolivia will be paying USD 233 million per year in debt repayments and spending only USD 94 million on a health budget).
2. Inappropriate debt sustainability criteria will leave Niger paying more in debt servicing after it graduates from its enhanced HIPC treatment. Another five HIPCs will find their debt-servicing levels rising steeply within the medium term. Both under the original and enhanced HIPC Initiatives, Uganda has fallen below the thresholds of debt sustainability because of fluctuations in oil and commodity prices. Some, like Zambia, are being offered "interim assistance" and further lending palliatives rather than larger debt stock write-offs.

➢ *The central flaw of the HIPC Initiative lies in the narrow criterion used to assess the level of debts countries can afford to sustain. CIDSE and Caritas Internationalis urge a thoroughgoing review of the notion of debt sustainability promoted by the Bretton Woods Institutions* (see box below).

Debt sustainability criteria: maximising the poverty dividend

CIDSE and Caritas Internationalis question the prevailing debt sustainability criteria (150% NPV to annual export earnings[18]). At the root of the disparate ambitions for debt relief, however, are the confused objectives of international creditors. Bilateral and multilateral creditors have accepted that the rationale for debt reduction is poverty reduction, and have required indebted countries to draw up poverty reduction plans as a condition for debt cancellation. However, they do not accept any corresponding obligation to write off the amount of debt necessary to finance these poverty reduction ambitions or to meet internationally agreed development targets to halve global poverty by 2015. At stake is the criterion used to assess what level of debt is affordable and how much to cancel.

We consider that debt sustainability should be judged on the revenue governments can feasibly earn without further penalising the poor or creating distortions in the economy. Once this amount has been determined, it becomes a question of how much government income is reasonable to use for servicing debt obligations. After calculating a government's feasible revenue, there is then a trade-off between meeting debt servicing obligations and financing poverty reduction expenditures needed to meet the 2015 targets. The funding of poverty reduction should take precedence over meeting external debt servicing obligations.

Since it is unreasonable to tax those earning less than a dollar a day, even if government revenue for low-income countries was brought up to 25% of taxable gross domestic product (GDP) - which is beyond the capacity of most poor countries - then it is clear that for most HIPCs the feasible revenue available to governments is dwarfed by the costs of meeting 2015 targets, such as universal access to primary health care and primary education. Moreover, if the depth of poverty – the amount by which the very poorest fall below the one-dollar-a-day threshold – is taken into account as a shortfall in people's income that can be alleviated or reduced by government financed programmes, then for all HIPCs, there will be no residual government revenue available for debt servicing.

According to calculations made by the CIDSE member CAFOD[19], the depth and incidence of poverty in most highly indebted poor countries is such that they need not only 100% debt cancellation, but also substantially increased levels of grant aid. In addition, some middle-income countries should also become eligible for debt relief. As global aid flows continue to decline, the choice for creditors is simple: either cancel enough debt to help the world's poorest countries meet internationally agreed development goals of halving poverty, or carry on with piecemeal debt write-offs.

[16] Source: IMF Progress Report February 6, 2001 http://www.imf.org/external/np/hipc/2001/020601.htm
[17] Idem
[18] Adopted at the IMF/World Bank Annual Meetings in September 1999
[19] "A Human Development Approach to Debt Relief for the World's Poor" – 1998 Northover, Joyner and Woodward. CAFOD

- *If debt reduction is to contribute to poverty reduction, then poverty levels must be part of the determination of the debt servicing levels that a country can sustain. If the international development targets (IDTs) are taken seriously, the current grouping of HIPCs eligible for debt relief has little or no capacity to service its debts. According to preliminary calculations made by CIDSE and Caritas member organisations, if the HIPCs are to achieve the 2015 IDTs, they need to be eligible for 100% debt cancellation. We also question the coherence of an international debt management framework where G7 countries have agreed to 100% bilateral debt write offs and the World Bank and IMF are restricted to writing off, often, less than a third.*

- *It is for this reason that CIDSE and Caritas Internationalis are asking the richest nations, which are also the main shareholders of the international financial institutions, to promote a more in-depth initiative including 100% cancellation of multilateral debt of the poorest countries, in order to provide a much greater decrease in debt repayments and consequently free the necessary resources to fight poverty.*

Too many countries excluded

Today, only 22 countries of the 41 selected as HIPC countries are benefiting from the enhanced HIPC initiative. The remaining countries are still waiting to benefit from interim relief. While some of these countries are in a critical political situation, others are simply excluded because they do not meet the structural adjustment conditions imposed by the IMF. Among these 41 countries, some may expect no debt relief at all, like Angola, Kenya, Vietnam or Yemen, because their debt has been considered sustainable, or like Nigeria, which has been considered too "rich" in terms of her export earnings to benefit from the initiative. In addition, many poor nations have never been included in the initiative due to debt sustainability criteria. For example, this is the case for Haiti despite a level of debt to export of more than 170%.

Furthermore, the poorest countries are not the only ones where the constraints of servicing external debt have profound implications for poverty. The selection of a limited list of countries, according to unilaterally defined criteria, although a start, does not allow other poor countries from the South and particular middle-income countries to be taken into consideration. Today, these countries, such as Ecuador, Peru and Morocco, remain confronted by their debt problem and the "Paris Club" system, and are facing great difficulties in achieving substantial debt reduction.

- *Caritas Internationalis and CIDSE invite creditor governments and institutions to review the imbalances in current decision-making processes in international debt management.*

UN Millennium Declaration: resolution adopted by the General Assembly on 8 September 2000:

"We call on the industrialised countries:
To implement the enhanced programme of debt relief for the heavily indebted poor countries without further delay and to agree to cancel all official bilateral debts of those countries in return for their making demonstrable commitments to poverty reduction; (para 15)

We are also determined to deal comprehensively and effectively with the debt problems of low- and middle-income developing countries, through various national and international measures designed to make their debt sustainable in the long term." (para 16)

2.3.4 A “fair and transparent arbitration procedure” must be considered

The Pontifical Council Justice and Peace stated:

“The various creditors – states and banks – also bear very concrete responsibility in the area of emergency measures. Coordination is necessary if this responsibility is to be carried out justly and efficaciously, with an equitable sharing of immediate duties both in regard to the country in difficulty and to the IMF.
Co-responsibility comes into play in the search for causes as well as decisions concerning immediate measures to be adopted. In this way, special care needs to be taken to identify, among the various causes of a country’s debt situation, those that are attributable to global mechanisms which seem beyond control; for example, the fluctuations of currency needed for international contracts, shifts in the prices of raw materials which are often the object of speculation on the major stock markets, or the sharp drop in oil prices.

By reviewing the role, resources and margin of freedom of action of each party – (industrialised and developing countries, creditor and debtor countries, national and international commercial banks, large transnational corporations, and multilateral financial organisations), it will be possible to bring out more clearly respective responsibilities and propose ethical principles which guide decision-making, alter behaviour patterns, and transform the institutions with a view to providing a better service to humanity. All are called upon to participate in the building of a more just world, one of whose fruits will be peace.”

Source: Serving the Human Community: an Ethical Approach to International Debt – Pontifical Council Justice and Peace, December 1996

“We see peace as an indivisible fruit of just and honest relations on every level – social, economic, cultural and ethical – of human life on this earth… To you business men, to you who are responsible for financial and commercial organisations,. I appeal: to examine anew your responsibilities towards all your brothers and sisters.”

Pope John Paul II, Message for the 1986 World Day of Peace, nn 4, 7

Mechanisms that have been defined by creditors in the past to make the debt problem of Southern countries manageable have proven to be grossly inadequate. The main failure is clearly not related to any particular relief scheme but rather to the way these schemes are being defined.

- *Apart from relying on debt reduction and increased grant financing to provide the necessary funding for reaching the 2015 international development targets, poor countries will continue to rely on new loans (i.e. new debt), albeit on concessional terms, often from multilateral institutions. Therefore, the potential that a debt crisis will recur in the future must be addressed.*

- *Caritas Internationalis and CIDSE believe that this fundamental shortcoming is intrinsically linked to the imbalance in decision-making in international debt management. Looking at the relevant fora where debt is negotiated, we find that creditors are the ones who define the process, establish the rules, and decide upon particular cases based on information and analysis they have generated or commissioned. While such a structural imbalance between parties in a court of law would be completely unimaginable between creditors and debtors within a national context, this situation remains largely unchallenged between sovereign debtors and creditors at the international level. In order to find a long-term solution to over-indebtedness for countries, the question of insolvency and of a fair and transparent arbitration procedure on debts should be explored.*

No one can be forced to starve if unable to pay his debts

In a situation of over-indebtedness, the right of bona fide creditors to interest and repayments clashes with the principle generally recognised by all civilised legal systems that no-one must be forced to fulfil contracts that might lead to inhumane distress, endanger life or health, or violate human dignity. This must also be true for the people in the South. Although creditors’ claims are recognised as legitimate, certain resources are exempted from being seized. The human rights and dignity of debtors should be given priority over unconditional repayment.

Odious debt

Current debt management practices do not reflect the responsibility for today's unbearable burden of debt in many Southern countries. This responsibility rests not only with debtors but with debtors and creditors alike. Furthermore, a reformed procedure should consider the question of the legitimacy of debt, such as claims not based on a solid and proper legal foundation, or funds that have not been used for development or that supported anti-democratic or corrupt regimes. These debts must be scrutinised by an independent panel.

How to set up an arbitration procedure at international level

In our understanding, there are four key elements that should be considered in a reformed procedure between debtors and creditors:

1. A neutral decision-making body that is independent from both parties involved
2. The right of all stakeholders to be heard before a decision is made
3. The protection of the debtor's basic needs - in this case the most vulnerable sectors of a sovereign debtor's society - before debts are collected
4. The institution of an automatic stay of payments once an international "insolvency" or "arbitration" case is opened in order to avoid a creditors' run on the debtor's remaining assets and to allow for an orderly procedure.

How could such a reformed process be introduced? The Austrian economist Professor Kunibert Raffer's proposal envisages an internationalisation of chapter 9 of the US Insolvency Code[20]. This particular chapter established the rules for an insolvency procedure of sovereign debtors (municipalities) within the United States' legal system. All the elements mentioned above are part of chapter 9, which has been applied with slight reforms in the United States since the 1920s.

In order to make the US Chapter 9 scheme work internationally, it would be necessary to establish an arbitration panel, since there is currently no international juridical body with competence and capacity to resolve debt/payment problems between sovereign debtors and creditors. The arbitration court should be an ad hoc body that is composed of an equal number of judges from both debtor and creditor sides. The appointed arbiters must then nominate an additional person to allow for decision-making through simple majority. This procedure is, of course, well known in international relations, as it is often applied in bilateral cases between countries.

The mechanism would thus be highly flexible and not bureaucratic. However, it might be worth considering setting up a small technical secretariat at an institution that is neither debtor nor creditor, e.g. the United Nations. The secretariat's task would be to support the process of data harmonisation according to international standards, auditing, technical support to the arbiters, and organisation of the hearing of the stakeholders according to procedural standards.

A win-win-scenario

Even if creditors tend to assume that giving up a part of their control over international debt management would put them in a losing position, an arbitration process would likely benefit everybody:

- Debt sustainability – in theory long a cornerstone of the creditor-dominated debt management – could be assessed realistically for the first time. This would at least make possible that an

[20] The more commonly known scheme, Chapter 11, is inappropriate since it deals with insolvency of private firms. Chapter 9 however is designed for debtors vested with governmental powers, such as municipalities; it can be easily applied to sovereign borrowers.

agreement with a particular debtor country would not need to be overhauled within a few years' or even months' time (as is now common practice with the Paris Club).

- Creditors would find a comprehensive solution to the problems of a particular debtor, without behind-the-scenes bickering by various creditor groups. At present, there is actually a premium for those creditors who show the greatest reluctance in bringing about a solution through rescheduling or write-offs under the current piecemeal approach. However, the comprehensive single arbitration process would assure that nobody gets an advantage.
- Investors could find a clean slate when they consider bringing fresh money into a formerly over-indebted country. They would not have to face the threat of seeing their hard currency being used to pay old loans. By establishing an effective firewall between bad past loans and the fresh money a country may urgently need, even highly indebted countries would be more attractive to investors.

UN Secretary General Kofi Annan - Letter to the Heads of State and Government of the "Group of Eight" - July 2000:

"To help resolve some of the disputes that are currently preventing progress, a debt arbitration process should be instituted that would balance the interests of creditors and sovereign debtors, introducing greater discipline into their relations."

"Consideration should be given to the creation of an International Debt Arbitration Panel to restructure or cancel debts where debt service has reached such a level as to prevent the country providing necessary basic social services" (para 26)

ACP-EU Parliamentary Assembly on globalisation resolution (ACP-EU 2976/A/00/fin). 11 October 2000 Brussels / Belgium. (Available at: http://www.europarl.eu.int/dg2/acp/ bru2000/en/resolutions.htm)

2.3.5 PRSP: from debt to poverty reduction?

After the G7 summit in Cologne in September 1999, at the subsequent annual meeting of the IMF and the World Bank, the launch of the Poverty Reduction Strategy Paper (PRSP) was announced in response to the demand to more closely link debt reduction with poverty reduction, as well as the criticisms of these institutions' policies.

➢ *Caritas Internationalis and CIDSE have always considered it vital that the money released by debt relief be used to combat poverty. We welcomed the IMF and the World Bank announcement that poverty reduction was to be at the core of their policy regarding developing countries and that national poverty reduction strategies were to be developed by countries themselves through a process involving the participation of civil society. Yet, nearly two years later, as each country goes through its own process of developing a poverty reduction plan, the experience suggests that it is far from fulfilling its promise. Both the concept and the practice of the Poverty Reduction Strategy Papers have revealed a series of flaws which must be improved:*

- ***PRSPs damaged by the link to HIPC Initiative***
  The linkage between HIPC and PRSP has led to excessive delays in the delivery of urgently needed debt relief. A thorough consultation and the setting up of an integrated plan require considerable time. The official requirement for interim PRSPs has resulted in poor quality poverty reduction plans with no significant national ownership.

- ***PRSPs still endorsed by the Boards of the IMF and the World Bank.***
  Despite the avowed commitment to promoting national "ownership" the IMF and World Bank still reserve the right to accept or reject a country's PRSP in its entirety. This requirement contradicts the democratic and participatory principles that the PRSP claims to promote. As

a result, governments, which urgently need the financial resources released through PRSP approval, have a greater incentive to produce a poverty reduction strategy that is acceptable to the financial institutions, rather than to their own citizens.

- ***Core set of macro-economic policies: resistance to change***
  The PRSP experience in countries so far suggests that poverty reduction is not being integrated into the heart of macroeconomic and structural economic reforms. Instead, poverty reduction and economic growth are addressed as two separate and distinct elements in the PRSP. Policies that foster faster growth, low budget deficits, low inflation, privatisation and trade liberalisation continue to dominate in PRSPs, often with little consideration of who benefits and who loses from these policies. Poverty reduction, on the other hand, remains an add-on layer on top of these policies, often reduced to increased investments in health, education, and safety nets. The World Bank and IMF have shown little inclination to reassess their economic policy advice in terms of its poverty implications.

- ***Participation of civil society highly uneven***
  The experience of civil society participation in PRSPs so far has varied considerably across countries. In some countries there has been significant engagement between the government and civil society, resulting in civil society influence on the strategy. Yet in other cases, governments and officials of the creditor institutions make little distinction between "consultation," in which the views of civil society are merely solicited, and full participation, in which civil society helps to shape the strategy from the outset. Participation has been hindered by problems such as access to key documents and information in local languages, insufficient representation by key social groups, a rushed time frame in order to hasten the delivery of debt relief, and weak capacity among both government institutions and civil society organisations.

Part 3: Redistribution of Power – Global Governance

Because Catholic social teaching recognises a global common good, it emphasises the need for structures that guarantee the promotion of that good. Many years ago, John XXIII remarked in "Peace on Earth" (1963) that economic structures had grown beyond the political structures necessary for assuring the common good in an increasingly linked world. Central to these political structures must be participation – a basic human right that decisions affecting people must be decided by the people themselves. This becomes a very compelling argument when we see the growing influence of "faceless" bureaucracies such as the WTO. A concomitant principle to participation is subsidiarity, which emphasises that decisions that can be made at the local level should be encouraged.

3.1 Towards global governance

In the debate about the future of financing for development, the issue is not just how the necessary resources can be mobilised. The main questions recently have been determining which international institutions should make decisions about appropriate financing instruments, the quantity and quality of the financial flows, and the shape of the political framework conditions.

On the one hand, we already have a tightly woven network of international bodies and organisations handling financing and development questions. On the other hand, since the financial crises in recent years, the lack of effective and transparent guidance, control and decision-making bodies in the international finance system have been criticised. Politicians, experts, and international commissions have since then been exploring aspects of a new financial architecture from different points of view.

For years, governments from the South, civil society organisations, and experts have been calling e.g. for the "democratisation" of the Bretton Woods institutions, the reform of the economic and social bodies of the UN, and the creation of new institutions, from an Economic Security Council to a World Central Bank. The drawing up of newer "governance structures" for the international economic and finance system has so far proven to be largely fruitless, largely due to the fact that it has not taken into account the national and international interests and power structures.

3.2 Global economic governance

The confusion, ill-feeling, and lack of progress demonstrated by the Multilateral Agreement on Investment (MAI) debate and the collapse of the World Trade Organisation (WTO) ministerial meeting in Seattle demonstrated the need for a new and inclusive approach to global economic management. The workings of the global economy can no longer be decided purely by professional civil servants and trade negotiators in a non-transparent way. Furthermore, Seattle showed that Southern governments are no longer willing to be treated like children in international fora, kept in the dark until the last minute, and then arm-twisted into signing whatever agreements the rich nations have drawn up.

Restoring the legitimacy of the system of global economic governance is no easy task. It will require a new, more inclusive style of debate and negotiation that includes Northern and Southern governments and their civil societies. According to Caritas Internationalis and CIDSE, restoring legitimacy also means restoring the United Nations to its proper place at the head of the multilateral system, and reforming and strengthening UN structures accordingly. The UN system, much attacked in recent years, should be reformed and strengthened to ensure its effectiveness and legitimacy.

It is crucial that development agencies seek to raise the concerns of poor communities that are affected by the forces of globalisation, and to enable these communities to speak for themselves. CIDSE and Caritas Internationalis urge international institutions to facilitate whenever possible the participation of representatives from civil society groups in global processes and institutions and to ensure that these processes are as participatory and empowering as possible. In particular, consultations must be organised in such a way as to ensure the widest possible grassroots participation in policy-making. This might require more consultations within developing countries, and within areas outside capital cities and in different local languages. Moreover, policy makers must gain a better understanding of the nature of gender-based constraints and influences on the functioning of institutions and the impact of policies on women and society at large.

To be able to translate national poverty reduction strategies into effective action on the global stage, governments of developing countries also need to participate more effectively in existing institutions. Further reform efforts of the IMF, the World Bank and the WTO are needed to allow developing countries' interests to be adequately represented.

3.3 Coordination and coherence

Coordinated and coherent action at the international level is needed to ensure that the global economy is managed in the interests of all, and that the international development targets – *inter alia* of halving poverty by 2015 - are achieved**.** International institutions and national governments should be judged by their success in achieving poverty reduction. The World Bank and the IMF have publicly committed themselves to working towards poverty reduction. The WTO has more instrumental goals to provide a forum for governments to negotiate trade agreements. The first step to ensuring coherence would be for all international institutions to work towards a more comprehensive way, assessing the impact of their policies on other sectors, especially on poverty reduction.

The WTO should state publicly that poverty reduction and the achievement of the international development targets are an explicit objective of its work. In working towards these goals, institutions will need to look beyond existing models of economic management, based on the assumption that liberalisation will necessarily lead to poverty reduction. Above all, higher priority will have to be given to issues of equity and redistribution.

If all international institutions and agreements were working toward the same goals, the difficulty of resolving any conflicts between the plea of international agreements that now exist would be reduced. The international development goals would provide criteria for comparison and discussion of different agreements and processes, but only if greater attention were given to social and environmental impact assessments, and to empirical analysis of the impact of existing agreements and processes.

Coherence between national and international action is needed to ensure that developing countries benefit fully from integration into the global economy. Increased attention to genuinely-owned national reform processes should be accompanied by complementary international action to deal with problems that cannot be solved at a national level. For example, regional coordination of tax incentives, competition policy, or minimum wage legislation would help avoid undermining a country's competitiveness, whereas unilateral measures could drive away investment. Action at international level could also be required to tax short-term capital flows or deter transfer-pricing and other tax avoidance methods used by some transnational corporations.

Greater attention must also be paid to the hierarchy of agreements, in particular to the relationship between agreements made in the WTO and other international bodies where lack of coherence is becoming an increasing problem. Agenda 21 and many other international social and environmental agreements have led to a change in the way governance of the international economic system is viewed. In contradiction to these goals, the central focus of the WTO and international financial institutions is the achievement of liberalisation of trade and capital markets. Therefore, as agreed at the UN Special Session Copenhagen+5 in Geneva 2000, the World Bank, the IMF, and WTO must develop the ability to assess *ex ante* the impact of macroeconomic and structural policy positions on vulnerable groups. Such impact assessments on poverty and the environment should be especially conducted as a standard approach to IMF and World Bank programmes that support Poverty Reduction Strategies.

3.4 Recommendations

The UN Secretary General's report to the Preparatory Committee for "Financing for Development":

"As noted, the Economic and Social Council has been emerging as a strategic forum to help develop overall guidance and promote policy coordination within the United Nations system. It provides a natural forum where the various components of the system come together and engage in a productive dialogue across functional, sectoral and institutional lines -- where relevant components of the global system can "speak" to each other about mutual concerns, and also to speak with and hear the world at large. At the Millennium Summit, world leaders indeed resolved "to further strengthen the Economic and Social Council, building on its recent achievements, to help it fulfil the role ascribed to it in the Charter". (Para 171)

In order to overcome the deficiencies in the international economic system and the structural causes of the recent crises, there is a pressing need for greater transparency in transactions and better democratic control at the national and international levels which involves civil society. Nevertheless, these are by no means the only conditions required. Other important elements in the reform discussion would be, *inter alia*:

- *Stronger democratic control of the international financial institutions and their consistent transparency vis-à-vis civil society organisations is required. A first step would be the establishment of an independent external evaluation of the performance of the international financial institutions that responds to requests from member states and civil society, in particular women's groups;*

- *Adequate representation and participation of all states is required, especially of developing countries, in the decision-making and governing bodies of the international financial institutions. Voting rights must be more representative and less unequal.*

- *Economic reforms need to complement national policies by increasing women's access to resources such as land, information, knowledge and technology. Women need to access the wage economy and achieve non-discriminated participation;*

- *Economic and financial decision-making powers must be transferred away from ad-hoc groups and fora with a limited membership (e.g. G8, Paris Club) towards bodies that have clearly defined intergovernmental mandates, with more universal membership and participatory decision-making processes. As a start, modalities must be developed for bodies with limited membership (e.g. G8, G20, Financial Stability Forum) to ensure fully inclusive, participatory, accountable and transparent processes;*

- *International economic and financial institutions must ensure that their policies are coherent and in better cooperation with the UN and its agencies, consistently angling towards the primacy of poverty eradication and sustainable (i.e. environmentally sound and socially just) development. It is necessary to carry out economic monitoring and social impact assessments in the international financial institutions, the WTO and the UN agencies.*

- *In this regard, policy co-ordination by the United Nations General Assembly and Economic and Social Council (ECOSOC) is needed in order to enhance coherence of the international financial and trading systems. Periodic roundtable meetings in the context of the UN General Assembly sessions must be convened to address global economic and financial policy questions. These meetings should involve relevant international institutions as well as civil society.*

- *An Economic and Social Security Council – as proposed by the UN Commission on Global Governance in 1995 - should be established that would have the same standing on international economic matters the Security Council has with regard to peace and security. As a first step the ECOSOC should be strengthened. It should meet more frequently, for short, focused meetings on priority topics as needed, in order to make more effective use of the Council as a forum for dialogue to achieve policy coherence and coordination. With participation of civil society, the ECOSOC should also regularly review:*
  1. *the implementation of the decisions made at the Financing for Development International Conference;*
  2. *the attainment of the internationally agreed development goals and the strengthening of regional cooperation, taking into account different cultural and economic views of development, specifically the gender dimension; and*
  3. *the impact of finance and trade policies on sustainable and socially just development and the progress made in policy cooperation.*

- *As proposed by the High-Level Panel on Financing for Development in its report commissioned by the UN Secretary General, a further step could be to create a Global Council within the UN to provide leadership on global governance issues. The Panel stated also that a Globalisation Summit with broad participation could pave the way to the creation of such a Council.*

UN Millennium Declaration: resolution adopted by the General Assembly on 8 September 2000:

"We will spare no effort to make the United Nations a more effective instrument for pursuing all of these priorities: the fight for development for all the peoples of the world, the fight against poverty, ignorance and disease; the fight against injustice; the fight against violence, terror and crime; and the fight against the degradation and destruction of our common home." (Para 29)

"We resolve therefore:
- *To reaffirm the central position of the General Assembly as the chief deliberative, policy-making and representative organ of the United Nations, and to enable it to play that role effectively.…*
- *To strengthen further the Economic and Social Council, building on its recent achievements, to help it fulfil the role ascribed to it in the Charter.…*
- *To encourage regular consultations and coordination among the principal organs of the United Nations in pursuit of their functions.*
- *To ensure that the Organisation is provided on a timely and predictable basis with the resources it needs to carry out its mandates.…*
- *To ensure greater policy coherence and better cooperation between the United Nations, its agencies, the Bretton Woods Institutions and the World Trade Organisation, as well as other multilateral bodies, with a view to achieving a fully coordinated approach to the problems of peace and development.*
- *To strengthen further cooperation between the United Nations and national parliaments through their world organisation, the Inter-Parliamentary Union, in various fields, including peace and security, economic and social development, international law and human rights and democracy and gender issues.*
- *To give greater opportunities to the private sector, non-governmental organisations and civil society, in general, to contribute to the realisation of the Organisation's goals and programmes."* (Para 30)

"We request the General Assembly to review on a regular basis the progress made in implementing the provisions of this Declaration, and ask the Secretary-General to issue periodic reports for consideration by the General Assembly and as a basis for further action." (Para 31)

"We solemnly reaffirm, on this historic occasion, that the United Nations is the indispensable common house of the entire human family, through which we will seek to realise our universal aspirations for peace, cooperation and development. We therefore pledge our unstinting support for these common objectives and our determination to achieve them." (Para 32)

Part 4: Conclusions

Our era is aware of the existing global problems. It possesses the knowledge, the means and even the policy orientations needed to address poverty and exclusion. It recognises that investment in human resources and capacity is in the long term the most needed global investment.

Only a comprehensive, holistic development strategy, with people at the centre of global concern, will ensure a real sustainable development. Education, health and decent work are the central pillars for fostering economic and social progress of individuals and their families. The importance of transparent and efficient governance structures at the service of citizens, both locally and globally, is recognised.

Despite a general consensus on these issues, the real response has been very partial and at times contradictory. The international community still remains a dysfunctional community, since there is a wide gap between commitments made by words and strategies and the resources allocated to meet them, by donor countries and developing countries alike.

These demands need to be consistently highlighted in the Financing for Development process. This is an historic opportunity to raise the necessary political will to start achieving real redistribution of wealth and power.

We do not need new promises. What we need, right now, is immediate action to eradicate poverty.

CIDSE and Caritas Internationalis are committed to monitor and follow up this process and put into their own practice relevant actions for a sound development.

Resources

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Report of the High-Level Panel on Financing for Development, 28 June 2001

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"*Taxing Excessive Currency Speculation to Prevent Social Crisis and Finance Global Challenges*" - CIDSE and Caritas Internationalis background paper, Dr Danny Cassimon, UFSIA, January 1999

"Twenty-two Countries Due to Gain Some Debt Relief in 2000, But Cancellation Must Go Deeper", Jubilee 2000, 21 December 2000, 12pp.

"Unfinished Business", Jubilee 2000, 1999, 36pp.

Annex I - International Development Goals

The internationally agreed development goals of 149 heads of state at the Millennium Summit in their resolution on 8 September 2000 were as follows:

We resolve:

• *To halve,* ***by the year 2015****, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water.*

• *To ensure that, by the same date, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling and that girls and boys will have equal access to all levels of education.*

• *By the same date, to have reduced maternal mortality by three quarters, and under-five child mortality by two thirds, of their current rates.*

• *To have, by then, halted, and begun to reverse, the spread of HIV/AIDS, the scourge of malaria and other major diseases that afflict humanity.*

• *To provide special assistance to children orphaned by HIV/AIDS.*

• ***By 2020****, to have achieved a significant improvement in the lives of at least 100 million slum dwellers as proposed in the "Cities Without Slums" initiative. (para 19)*

We also resolve:

• *To promote gender equality and the empowerment of women as effective ways to combat poverty, hunger and disease and to stimulate development that is truly sustainable.*

• *To develop and implement strategies that give young people everywhere a real chance to find decent and productive work.*

• *To encourage the pharmaceutical industry to make essential drugs more widely available and affordable by all who need them in developing countries.*

• *To develop strong partnerships with the private sector and with civil society organisations in pursuit of development and poverty eradication.*

• *To ensure that the benefits of new technologies, especially information and communication technologies, in conformity with recommendations contained in the ECOSOC 2000 Ministerial Declaration, are available to all."* (para 20)

Annex II – Human Development Indicators

As set out in the OECD report "Shaping the 21st century: The Contribution of Development Cooperation" (1996). All these goals are consistent with the results of the UN conferences held during the 1990s and were commonly published by United Nations, World Bank, IMF, and OECD in June 2000. (Source: http://www.oecd.org/dac/indicators)

GOALS	INDICATORS
Economic well-being	**Economic well-being**
Reducing extreme poverty The proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015. *(Copenhagen)*	1. Incidence of Extreme Poverty: Population Below USD 1 Per Day 2. Poverty Gap Ratio: Incidence times Depth of Poverty 3. Inequality: Poorest Fifth's Share of National Consumption 4. Child Malnutrition: Prevalence of Underweight Under 5 years
Social development	**Social development**
Universal primary education There should be universal primary education in all countries by 2015. *(Jomtien, Beijing, Copenhagen)*	5. Net Enrolment in Primary Education 6. Completion of 4th Grade of Primary Education 7. Literacy Rate of 15 to 24 Year-Olds
Gender equality Progress towards gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005. *(Cairo, Beijing, Copenhagen)*	8. Ratio of Girls to Boys in Primary & Secondary Education 9. Ratio of Literate Females to Males (15 to 24 Year-Olds)
Infant & child mortality The death rates for infants and children under the age of five years should be reduced in each developing country by two-thirds the 1990 level by 2015. *(Cairo)*	10. Infant Mortality Rate 11. Under 5 Mortality Rate
Maternal mortality The rate of maternal mortality should be reduced by three-fourths between 1990 and 2015. *(Cairo, Beijing)*	12. Maternal Mortality Ratio 13. Births Attended by Skilled Health Personnel
Reproductive health Access should be available through the primary health-care system to reproductive health services for all individuals of appropriate ages, no later than the year 2015. *(Cairo)*	(14. Contraceptive Prevalence Rate) 15. HIV Prevalence in 15 to 24 Year-Old Pregnant Women
Environmental sustainability and regeneration	**Environmental sustainability and regeneration**
Environment There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015. *(Rio)*	16. Countries with Effective Processes for Sustainable Development 17. Population with [sustainable] Access to Safe Water 18. Forest Area as a % of National Surface Area 19. Biodiversity: Land Area Protected 20. Energy Efficiency: GDP per Unit of Energy Use 20. Carbon Dioxide Emissions
General Indicators	**General Indicators**
Other selected indicators of development *For reference:* *Population* *Gross National Product*	GNP per Capita Adult Literacy Rate Total Fertility Rate Life Expectancy at Birth Aid as % of GNP External Debt as % of GNP Investment as % of GDP Trade as % of GDP

Annex III – CIDSE & Caritas Internationalis members

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Comité Catholique contre la Faim et pour le Développment (CCFD)	FRANCE
CORDAID (Catholic Organisation for Relief and Development)	NETHERLANDS
Entraide et Fraternité	BELGIUM
Fastenopfer der Schweizer Katholiken	SWITZERLAND
Koordinierungstelle	AUSTRIA
Misereor	GERMANY
Manos Unidas	SPAIN
Développement et Paix / Development and Peace	CANADA
Scottish Catholic International Aid Fund (SCIAF)	SCOTLAND
Trócaire	IRELAND
Volontari nel Mondo-FOCSIV	ITALY

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Services Caritas des Diocèses d'Algérie - Caritas Algérie	ALGERIA
Caritas Andorrana	ANDORRA
Caritas de Angola	ANGOLA
Antilles Episcopal Conference - Caritas Antilles	ANTILLES
Caritas Argentina	ARGENTINA
Caritas Armenia	ARMENIA
Caritas Australia	AUSTRALIA
Oesterreichische Caritaszentrale	AUSTRIA
Caritas Azerbaijan	AZERBAIJAN
Caritas Bangladesh	BANGLADESH
Caritas Belarus	BELARUS

Caritas Catholica Belgica	BELGIUM
Caritas en Communauté Française et Germanophone	BELGIUM
Caritas Secours International Belgique	BELGIUM
Caritas Vlaanderen - Belgium	BELGIUM
Caritas Benin	BENIN
Pastoral Social - Caritas Boliviana	BOLIVIA
Caritas Bosnia-Herzegovina	BOSNIA AND HERZEGOVINA
Tirisanyo Catholic Commission - Caritas Botswana	BOTSWANA
Caritas Brasileira	BRAZIL
Caritas Bulgaria	BULGARIA
OCADES - Caritas Burkina Faso	BURKINA FASO
CED - Caritas Burundi	BURUNDI
Caritas Cambodia	CAMBODIA
BASC - Bureau des Activités Socio-Caritatives - Caritas Cameroun	CAMEROON
Développement et Paix / Development and Peace	CANADA
Caritas Caboverdeana	CAPE VERDE
Caritas Centrafrique	CENTRAL AFRICAN REPUBLIC
UNAD - Caritas Tchad	CHAD
Caritas Chile	CHILE
SNPS - Secretariado Nacional de Pastoral Social	COLOMBIA
Caritas Comores	COMOROS
Caritas République du Congo	CONGO REPUBLIC
Pastoral Social Caritas Costa Rica	COSTA RICA
Caritas Croatia	CROATIA
Caritas Cuba	CUBA
Koinonia Caritas	CYPRUS
Ceska Katolicka Charita - Caritas Ceska	CZECH REPUBLIC
Commission Episcopale Caritas / Développement	DEMOCRATIC REPUBLIC OF
Caritas Danmark	DENMARK
Caritas Djibouti	DJIBOUTI
Caritas Dominicana	DOMINICAN REPUBLIC
Caritas East Timor	EAST TIMOR
SENAPS – Secretariado Nacional de Pastoral Social	ECUADOR
Caritas Egypte	EGYPT
Caritas El Salvador	EL SALVADOR
CAFOD - Catholic Fund for Overseas Development	ENGLAND-WALES
Caritas Guinea Ecuatorial	EQUATORIAL GUINEA
Eritrean Catholic Secretariat	ERITREA
Caritas Estonia	ESTONIA
Ethiopian Catholic Secretariat	ETHIOPIA
Caritas Finland	FINLAND
Secours Catholique - Caritas France	FRANCE
Caritas Gabon	GABON
Caritas The Gambia	GAMBIA
Caritas Georgia	GEORGIA
Deutscher Caritasverband	GERMANY
SED - Department of Socio-Economic Development	GHANA
Caritas Hellas	GREECE
Caritas de Guatemala	GUATEMALA
OCPH - Organisation Catholique pour la Promotion Humaine	GUINEA REPUBLIC
Caritas Guinée-Bissau	GUINEA-BISSAU
Caritas Haiti	HAITI
Caritas de Honduras	HONDURAS
Caritas Hong Kong	HONG KONG
Caritas Hungarica	HUNGARY
Caritas Island	ICELAND
Caritas India	INDIA
Institute of Social Research and Development	INDONESIA
Caritas Iran	IRAN
Confrérie de la Charité - Caritas Iraq	IRAQ
TROCAIRE - Caritas Ireland	IRELAND
Caritas Italiana	ITALY
Caritas Côte d'Ivoire	IVORY COAST
Caritas Japan	JAPAN
Caritas Jordan	JORDAN

Caritas Kazakhstan	KAZAKHSTAN
Kenya Catholic Secretariat - Caritas Kenya	KENYA
Caritas Coreana	KOREA
Caritas Latvia	LATVIA
Caritas Internationalis	LEBANON
Caritas Liban	LEBANON
Department of Development - Caritas Lesotho	LESOTHO
Caritas Liberia	LIBERIA
Caritas Libie	LIBYA
Caritas Lithuania	LITHUANIA
Caritas Luxembourg	LUXEMBOURG
Caritas Macau	MACAU
Caritas Macedonia	MACEDONIA
Caritas Madagascar	MADAGASCAR
CADECOM - Catholic Development Commission in Malawi	MALAWI
NOHD - National Office for Human Development	MALAYSIA
Commission Nationale de Pastorale Sociale - Caritas Mali	MALI
Caritas Malta	MALTA
Caritas Mauritanie	MAURITANIA
CEPS - Caritas Mexicana	MEXICO
Caritas Moldova	MOLDOVA
Caritas Monaco	MONACO
Caritas Mongolia	MONGOLIA
Caritas Maroc	MOROCCO
Caritas Moçambicana	MOZAMBIQUE
Caritas – Karuna Myanmar	MYANMAR
NACADEC - Namibian Catholic Development Commission	NAMIBIA
Caritas Nepal	NEPAL
Caritas Nederland - CORDAID	NETHERLANDS
Caritas Aotearoa - New Zealand	NEW ZEALAND
Caritas Nicaragua	NICARAGUA
Caritas Niger	NIGER
Nigeria Catholic Secretariat	NIGERIA
Caritas Norge	NORWAY
CEPAC – Comm. for Justice and Development	PACIFIC ISLANDS
Caritas Pakistan	PAKISTAN
Pastoral Social - Caritas Panamá	PANAMA
Caritas Papua New Guinea	PAPUA NEW GUINEA
Pastoral Social Nacional - Caritas Paraguay	PARAGUAY
Caritas del Peru	PERU
NASSA - National Secretariat of Social Action	PHILIPPINES
Caritas Polska	POLAND
Caritas Portuguesa	PORTUGAL
Servicios Sociales Catolicos - Caritas Puerto Rico	PUERTO RICO
Confederatia Caritas Romania	ROMANIA
Caritas of the Asian Part of Russia	RUSSIA
Caritas of the European Part of Russia	RUSSIA
Federal Caritas of Russia	RUSSIA
Caritas Rwanda	RWANDA
Caritas Sao Tome & Principe	SAO TOME & PRINCIPE
SCIAF – Scottish Catholic International Aid Fund	SCOTLAND
Caritas Senegal	SENEGAL
Caritas Seychelles	SEYCHELLES
NCDCO - National Catholic Development and Caritas Office	SIERRA LEONE
Catholic Welfare Services - Caritas Singapore	SINGAPORE
Slovenska Katolicka Charita	SLOVAKIA
Slovenska Karitas	SLOVENIA
Caritas Solomon Islands	SOLOMON ISLANDS
Caritas South Africa	SOUTH AFRICA
Caritas Española	SPAIN
SEDEC - Social Economic Development Centre	SRI LANKA
SUDANAID - Caritas Sudan	SUDAN
Caritas Swaziland	SWAZILAND
Caritas Sverige	SWEDEN
Caritas Schweiz	SWITZERLAND

Caritas Syria - Commission Commune de Bienfaisance	SYRIA
Commission for Social Development - Caritas Taiwan	TAIWAN-R.O.C.
Caritas Tajikistan	TAJIKISTAN
Caritas Tanzania	TANZANIA
CCHD – Catholic Council for Human Development	THAILAND
OCDI - Organisation de la Charité pour un Développement Intégral	TOGO
Services Caritas de la Prélature - Caritas Tunisie	TUNISIA
Caritas Turquie	TURKEY
Uganda Catholic Secretariat - Caritas Uganda	UGANDA
Caritas Spes - Caritas of Roman Catholic Church in Ukraine	UKRAINE
Caritas Ukraine - Caritas of the Greek Catholic Church	UKRAINE
Catholic Campaign for Human Development	UNITED STATES OF AMERICA
Catholic Charities USA - Caritas USA	UNITED STATES OF AMERICA
Catholic Relief Services - Caritas USA	UNITED STATES OF AMERICA
Caritas Uruguaya	URUGUAY
Caritas Uzbekistan	UZBEKISTAN
Caritas de Venezuela	VENEZUELA
Caritas Yugoslavije	YUGOSLAVIA
ZEC - Catholic Commission for Development - Caritas Zambia	ZAMBIA
Catholic Development Commission - Caritas Zimbabwe	ZIMBABWE