Doha, Qatar, 29 November - 2 December 2008

International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus

This short press briefing sets out the key issues, and provides critical analysis of political negotiations around the financing for development agenda.

1. What is the Financing for Development Meeting in Doha?

- Governments from across the world will meet in Doha, Qatar between 29 November and 2 December under a UN process to discuss financing for development. The Qatari government is organising a high-level retreat on 28 November, right before the start of the Conference. Forty to fifty heads of state and/or government are expected to attend.

- The Financing for Development agenda is a recognition of the fact that structural flaws in the system are preventing people in poor countries from enjoying growth and development. This message is even more pertinent in the current context of the financial crisis which has hit the poor so hard.¹

- In 2002, the European Union agreed to the Monterrey Consensus on development finance setting out commitments in six key areas. These have been under review through issue-focused hearings held between February and May:
  1. Mobilising domestic resources
  2. Foreign direct investment,
  3. International trade,
  4. Financial and technical cooperation,
  5. External debt,
  6. Systemic issues

- In Doha, governments will meet again to reflect on progress, new challenges and to agree an outcome document setting out commitments on these crucial issues (see below for analysis of negotiations)

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¹ Some key figures on the impact of the financial crisis on the poor:

- Before the end of 2009, the number of workers living on less than one dollar a day may increase by 40 million; those living on less than two dollars a day could increase by more than 100 million (www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_099529/index.htm);

- Private capital flows to emerging markets are expected to decline by 30% (www.iif.com);

- Remittances from migrants, which in 2007 doubled the value of Official Development Assistance, are expected to dramatically fall – the Central Bank of Mexico registered a 12% decline over the last year.
2. What are the issues?

The Financing for Development agenda is about redistribution, and rebalancing the global financial structures for development, given striking evidence on how financial flows from Southern countries to the North often offset flows from rich to poor countries.

But what we see is governments failing to carry out the reforms that will really change the unjust system currently in place.

Key issues of concern for civil society organisations in Europe are:

- Reform of the international financial institutions
- Regulation of tax havens/secrecy jurisdictions
- Upgrading the UN tax committee to an intergovernmental body
- Official Development Aid and Debt
- Innovative sources of finance

3. What is at stake?

Rich countries, including the EU, are showing weak commitment to the Doha process. While the European states of the G20 have managed to reshuffle their agendas to be present in Washington, it is yet unclear which EU heads of government and/or state will be go to Doha. Once again, the poor of the world were forgotten at the Washington meeting. Half-hearted piecemeal reforms, as the ones suggested at the G20, won’t suffice.

EU governments should live up to their commitments and show strong will to implement them. They should also show strong leadership to avoid the outcome of the Doha Conference is just “business as usual”. In order to rewrite the rules of the global financial system and make it work for development, governments in Doha should:

- Reaffirm their aid commitments and agree upon timetables to deliver 0.7% of their GNP to ODA by 2015. It is urgent to avoid any temptations to decrease aid flows.
- Commit to combat illicit financial flows and tax havens, which drain between US$500 billion and US$800 billion every year from developing countries. Some concrete decisions on this area should include:
  - A code of conduct on cooperation in combating international tax evasion and avoidance;
  - International implementation of country by country reporting standards for transnational companies, to increase transparency and curb transfer mispricing;
  - Strengthening the United Nations Tax Committee and converting it into an intergovernmental entity.
- Recognise that debt is still a problem for developing countries, which may worsen in light of the current crisis. Governments should agree to set up an international fair and transparent debt work-out mechanism based upon the principles of shared responsibility among creditors and debtors.
- Agree to launch an inclusive and transparent process to overhaul the global financial architecture, which works for equitable growth and poverty reduction. Quick fixes along the lines of those agree at the G20 Summit in Washington won’t do. The International Financial Institutions should be thoroughly reformed to ensure full participation of developing countries; and new regulatory regimes should be set up to make sure that financial markets work for all.

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2 The European Union plays a major role in maintaining the secrecy jurisdictions (tax havens) through which developing countries lose an estimated €350 billion a year in illicit capital flight.

3 Transfer mispricing is used worldwide by Multinational Corporations to make a benefit without paying any taxes: The World Trade Organization estimates that 50% of international commercial transactions are made intra-group between subsidiaries. These transactions allow a company to place benefits in tax havens in order to avoid taxes.
4. Analysis of negotiations

- Governments have been meeting once a week for several months in New York to battle over an outcome document to be published at the end of the Conference, but ultimately, agreement has not been possible. Negotiations are advancing at a snail’s pace. Potential agreements are still very unclear and any outcome could be expected.
- Japan, the US, Canada, Australia and New Zealand (JUSCANZ) are banding together to block more progressive reforms.
- EU members are in disagreement over key proposals such as tax. Although the EU wanted to portray itself as the link between the JUSCANZ and the G77 (the developing countries), the reality is that it is more and more removed from the G77 positions and strategies and will have a hard time in performing a brokering role.
- G77 countries are refusing to come behind the weak commitments of European and industrialised nation governments. Whether they will be ready to compromise a weaker text or will prefer “no deal than a bad deal” is yet to be seen.
- As time is running, it is unlikely that governments will manage to get an agreement before Doha, as they were hoping. Key negotiations will have to be continued in Doha. The final outcome of the conference is still up in the air.

5. Why this is important?

- Doha provides a window of opportunity because it acknowledges the unjust nature of international financial system, and the often severe impact it can have on developing countries. In a matter of few months, rich countries have been able to mobilise $3 trillion to bail out their banks, thirty times the $104 billion channelled last year for development aid. The risk that governments will “default” on their aid commitments is increasingly high. Poor countries should not pay for a crisis created by rich countries.
- This impact has been made all too clear by the recent crises in the global economic system which have hit poor countries hard, in particular the impact of food prices and the prominence of this issue in the media over recent months has highlighted the linkages between poverty, and global economic trends driven by an unfair system. Among other reasons, the food prices were spurred by unprecedented speculation on agricultural commodities. This is just one of the numerous examples that the global financial system should be regulated to avoid that speculation threatens basic human rights.
- It is becoming increasingly clear that not only have increases in global flows of capital failed to correlate with poverty reduction, but also that economic growth in developing countries does not necessarily mean growth for the poor, often it can even mean greater in-country inequality.
- Aid, which has seen increased commitments from donor governments in recent years, is one way of addressing these problems, but it has long been recognised that it cannot be effective without wider systemic change to the global economic system.

6. Spokespersons and contacts in Doha

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7. Resources on some of the key issues:

- Civil society participation at the conference: [http://www.ffdngo.org](http://www.ffdngo.org)

Documents:
- Eurodad’s new briefings on IMF conditionality, aid effectiveness and responsible finance at: http://www.eurodad.org
- A European agenda to fight capital flight: http://www.eurodad.org/whatsnew/articles.aspx?id=3028
- Speculation undermines the right to food: http://www.eurodad.org/whatsnew/articles.aspx?id=3032
- New principles and rules to build an economic system that works for people and the planet: http://www.choike.org/bw2/#english2

Video testimonies
- George Ehusani from Nigeria talks in English about the realities of EU aid to developing countries: http://blip.tv/file/931993
- Robert Bodja from Alliance for the climate (Luxembourg) on ODA and aid effectiveness. In French: http://blip.tv/file/1484084
- José Brito, Minister of Foreign Affairs, Cooperation and Communication of the Republic of Cap Verde in French on the impact of financing development and financial crisis in Cap Verde http://blip.tv/file/1487902