

The Hon. David Emerson
Minister of Foreign Affairs
Foreign Affairs and International Trade Canada
125 Sussex Drive
Ottawa, ON K1A 0G2

October 10, 2008

Re.: Canadian priorities leading up to the Doha Financing for Development Review.

Dear Minister Emerson:

In November, civil society organizations (CSOs) and government leaders from around the world will convene in Doha, Qatar to review progress on the 2002 Monterrey Financing for Development (FfD) agenda, and plot a course for the years ahead. We, the undersigned Canadian CSOs are writing to urge the Canadian government to support a strong and specific outcome document for action and for change in Doha that puts effective development, poverty eradication, international human rights, gender equality, decent work, and environmental sustainability at the fore.

Monterrey emerged out of a financial crisis in Asia and Latin America in the 1990s. But it was also guided by a perceived crisis in development: the need to examine the shortfall in resources required for countries to achieve the Millennium Development Goals (MDGs) and to cut the number of people living in extreme poverty by half by 2015, improve social conditions, raise living standards, and protect the environment.

Today, as the incredible events of the past year have shown, the world is consumed by an urgent triple crisis of fuel, food and finance that not only threatens the realization of the MDGs, but also the credibility and stability of the world's economies, including our own. Meanwhile, climate change is threatening the lives and livelihoods of hundreds of millions of people, North and South. Trade negotiations have reached a stalemate. Unemployment is on the rise. Gender inequality remains pervasive. And most donor countries are falling far short of meeting their aid commitments. Overcoming these crises requires decisive action and leadership from the global community, Canada among them. But to date, such leadership has been sorely missing. We urge the Canadian government to remedy that.

As you prepare for the Doha Review Conference we urge the government to take forward the following critical policy issues and work to ensure that the final outcome document does the following:

- Supports efforts by developing countries to regain real democratic ownership of their domestic policy space – without interference from donors or the Bretton Woods Institutions – that allow the creation of tax, trade and investment policies, which maximize potential domestic resource mobilization and improve resource utilization;
- Supports the establishment of a full-intergovernmental UN Committee of Experts on International Cooperation in Tax Matters, and incorporates the forthcoming recommendations of the International Task Force on Illicit Financial Flows and Capital Flight;
- Supports the development of country policy and binding legal systems grounded in international legal standards that ensure accountability;

- Reaffirms global commitments to reaching the 0.7 percent of Gross National Income aid target, that all future debt relief and donor contributions to climate mitigation and adaptation funds should be additional to official development assistance (ODA), and the money from such funds should be in the form of grants, not loans. Canada should separately affirm its commitment to a ten-year timetable to reach the 0.7 percent target beginning with the 2009/10 Federal Budget;
- Supports the implementation of measures which promise to generate significant levels of funding for environmental and development initiatives, including further work on international tax initiatives. To demonstrate this support, Canada should become a member of the Leading Group on Solidarity Levies;
- Includes time-bound specific targets for the maximum and flexible use of developing country systems, with multiple-year rolling aid resource commitments, increasing country level predictability of aid;
- Supports the call for an international debate on extending debt cancellation to indebted countries currently excluded from the Heavily Indebted Poor Country (HIPC) initiative, for the establishment of a more permanent debt mediation or arbitration mechanism that is fair, transparent and independent, and for further discussions to address issues related to odious and illegitimate debt;
- Supports the call for a major international conference to review current international financial and monetary architecture and global economic governance structures, conducted within the UN system and wholly inclusive of the participation of civil society;
- Support a mechanism to ensure regular follow-up on the outcomes of the Doha meeting, and an adequately staffed and resourced unit within the United Nations system that is able to support that process.

For more detailed comments as they relate to the current draft outcome document (DOD), we refer you to the attached Appendix and to the Civil Society Benchmarks and Key Recommendations for Doha Draft Outcome Document submitted to the official FfD process.

We look forward to meeting with representatives from Foreign Affairs to discuss these issues in more detail, and in the mean time hope you will take these recommendations forward as you discuss other forthcoming draft and final outcome documents.

Yours sincerely,

Gerry Barr
President-CEO, Canadian Council
for International Co-operation

Catherine Coumans
Chair, Halifax Initiative

Roy Culpeper
President, The North-South Institute

Cc:

- The Hon. Beverley J. Oda, Minister of International Cooperation
- The Hon. James Michael Flaherty, Minister of Finance

- H.E. Amd. John McNee, Permanent Representative of Canada to the United Nations

- H.E. Miguel Descoto, President of the General Assembly
- H.E. Amb. Johan Løvald, Permanent Representative of Norway to the United Nations, Co-Chair of the Financing for Development Process

- H.E. Amd. Maged Abdelaziz, Permanent Representative of Egypt to the United Nations, and Co-Chair of the Financing for Development Process
- Trevor Manuel, Minister of Finance, Republic of South Africa, and Special Envoy of the Secretary General
- Heidemarie Wieczorek-Zeul, Federal Minister for Economic Cooperation and Development, Germany
- Oscar de Rojas, Financing for Development, Director, Department for Economic and Social Affairs, United Nations
- Daniel Platz, Civil Society Liaison, Department for Economic and Social Affairs, United Nations

Signatories:

- Caroline Boudreau, Chair, Africa Canada Forum
- Maria-Luisa Monreal, Directrice générale, L'Association québécoise des organismes de coopération internationale (AQOCI)
- Michael Casey, Executive Director, Canadian Catholic Organization for Development and Peace
- Bonnie Diamond, Co-Chair, Canadian Feminist Alliance for International Action
- Richard Elliott, Executive Director, Canadian HIV/AIDS Legal Network
- Kenneth V. Georgetti, President, Canadian Labour Congress
- Tony Breuer, Executive Director, CHF-Partners in Rural Development
- Mirabelle Rodrigues, Executive Director, Foundation of International Training
- Molly Kane, Executive Director, Inter Pares
- Dennis Howlett, Coordinator, Make Poverty History
- Jamie Kneen, Communications and Outreach Coordinator, MiningWatch Canada
- Robert Fox, Executive Director, Oxfam Canada
- Bernard Taylor, Executive Director, Partnership Africa Canada
- Chris Dendys, Executive Director, Results Canada
- Derek MacCuish, Coordinator, Social Justice Committee
- Omega Bula, Executive Minister, Justice, Global and Ecumenical Relations Unit, The United Church of Canada
- Hon. Warren Allmand, P.C., O.C., Q.C., National President, World Federalist Movement Canada

APPENDIX: Key policy issues for the current draft Doha Outcome Document

Domestic Resource Mobilization – Creating policy space. Effective and efficient domestic resource mobilization (DRM) is at the heart of development. This requires a coherent, dynamic and domestically-driven capital accumulation, intermediation and mobilization process in the poorest countries. Donors and aid agencies have a fundamental role to play in ensuring that their aid efforts support DRM and improve resource utilization in poor countries. Donors should recognize efforts undertaken by diverse countries such as Ethiopia, Ghana, Mali, Rwanda, Zambia, Botswana, Vietnam, Bolivia, and Tanzania to increase domestic revenues and reduce or limit exposure to ODA. Enhancing DRM is also fundamental to reducing or ending aid-dependence and Canada should support measures in the final outcome document and in its own practice that do the following: 1) recognize DRM as a goal in its own right; 2) ensure a more comprehensive and coherent approach to aid that recognizes the importance of DRM; 3) ensure that multilateral and bi-lateral trade and investment policies do not undermine DRM efforts; 4) support endeavors by developing countries to regain democratic ownership of their domestic policy space and to promote macro-economic policy alternatives that are pro-poor, pro-growth and pro-employment; 5) promote participatory and gender responsive budgeting as tool to include the voices of women in fiscal policy; 6) build tax policy and administrative capacity that enhances savings mobilization and investment in productive social, economic and physical infrastructure; 7) assist in the identification and repatriation of illicit capital flight; and 8) encourage and ease the transfer of remittances through formal channels.

Curbing tax avoidance and capital flight. The DOD correctly identifies capital flight as “a major hindrance to the mobilization of domestic resources for development”. Every year, tax evasion illicitly drains \$350 to \$500 billion from developing countries, more than three times current OECD aid levels. As a result, Sub-Saharan Africa (SSA) is in fact a *net creditor* to the rest of the world with the accumulated stock of capital flight from SSA between 1970 and 2004 more than twice the region’s external debt stock. However beyond recognizing the problem, the DOD falls short of identifying commensurate solutions necessary to tackle the South-North flow of financial resources. Tax avoidance, through exemptions or incentives, and weak disclosure practices hold DRM back from reaching its full potential. Efforts to address tax avoidance and establish universal standards in reporting on taxes, profits, fees and other payment flows for companies operating in developing countries should be included in the final outcome document. In this vein, we support the establishment of a full inter-governmental UN Committee of Experts on International Cooperation in Tax Matters, but also urge the Canadian government to take on board the forthcoming recommendations of the International Task Force on Illicit Financial Flows and Capital Flight.

Protect, respect and remedy. While foreign direct investment and private capital flows have a potentially positive role to play in development, in recent years, growing attention has focused on the human rights impacts of Canadian companies overseas. To address these concerns, the DOD should actively promote the state duty to protect human rights, the corporate responsibility to respect human rights, and the need for access to effective remedies for victims, including through judicial means, as outlined in the Report of the Secretary General’s Special Representative on business and human rights. Environmental integrity, respect for collective and individual human rights, decent work and gender equality can be respected and protected through both better policy and better legislation. Instead of supporting weak voluntary initiatives that promote social responsibility like the Global Compact, the final outcome document should support the development of country policy and binding legal systems grounded in international legal standards that ensure corporate accountability.

More and better aid. Despite a call in Monterrey for Donors to dedicate 0.7 percent of Gross National Income (GNI) to Official Development Assistance (ODA), ODA from OECD countries has only risen from 0.23 percent in 2002 to 0.28 percent in 2007. For its part, Canadian aid has risen from \$2.9 billion in 2001/02 to an estimated \$4.6 billion in 2008/09, but as a percentage of Gross National Income Canadian aid has stagnated at 0.30%. Canada committed to double its aid between 2001/02 and 2010/11 at the Monterrey Conference. Current projections by the Canadian Council for International Co-operation (CCIC) indicate that Canadian aid by 2010 may only reach \$5.2 billion (assuming only current 8 percent increases to aid in the International Assistance Envelope each year), \$600 million short of the target. At Doha Canada should affirm its commitment to a ten-year timetable to reach the UN target of 0.7% beginning with the 2009/10 Federal Budget.

The final outcome document should also acknowledge that, while spending on debt relief has accounted for the rise in ODA in recent years, all future debt relief should be additional to these ODA targets. Furthermore, while all allocations for ODA should be made in ways that promote sustainable development, donor contributions to dedicated mitigation and adaptation funds that respond to climate change impacts should be additional to ODA and should be in the form of grants, not loans.

ODA Plus - Innovative sources of financing. Doha is also an important opportunity for supporting and encouraging innovative sources of financing development that are “additional to, but not a substitute for, official development assistance”. We are pleased that the DOD recognizes the efforts of the *Leading Group on Solidarity Levies* in this field. However, the final outcome document should also support the implementation of measures which promise to generate significant levels of funding for environmental and development initiatives. We also strongly encourage the Canadian government to become a member of the *Leading Group*.

We urge the Canadian government to support further work on international tax initiatives. Mechanisms such as a tax on foreign exchange transactions (a currency transaction tax or CTT), will contribute substantially to funds for international development while also helping to mitigate the growing impact of excessively volatile financial markets. Canada’s The North-South Institute projects a yield of \$33.41 billion per annum on a 0.005 percent levy on all foreign exchange transactions in dealer markets, which would at most widen the spread by one basis point. A permanent increase of one basis point, as a result of the introduction of a CTT would conform with existing fluctuations in major currency markets. The final outcome document should specifically endorse such initiatives.

Aid is not just about quantity, it is also about quality. The Monterrey Consensus, like the Paris Declaration, notes the importance of making aid more effective through the principles of national ownership of development plans, better harmonization among donors, and untying aid. Making aid more effective is an important objective in and of itself, but it obscures the real goal: making development more effective. In this light, aid effectiveness should be measured in terms of international human rights standards, gender equality, decent work and sustainable development. Ownership should not be driven solely by government officials, but by democratic ownership with citizens and parliaments fully engaged in debating and setting development priorities for the alignment of aid to country priorities. In this vein, all donor countries should review the practice of conditionality in light of the importance of country ownership and explicitly seek CSO views on these issues, as agreed in the Accra Agenda for Action. There should be time-bound specific targets for the maximum and flexible use of developing country systems, with multiple-year rolling aid resource commitments, increasing country level predictability of aid. We support Canada’s recent announcement to fully untie all Canadian aid by 2012, and encourage the government to support other governments to follow suit.

Expand external debt cancellation – The record on debt relief and cancellation since 2002 has been encouraging. Since 2002, total debt forgiveness from OECD countries has amounted to just over US\$59 billion, of which Canada has provided \$899 million in bi-lateral debt relief. The 2005 Multilateral Debt Relief Initiative (MDRI) also promised to cancel US\$40 billion in external debt of the 41 countries that qualify for the Heavily Indebted Poor Country (HIPC) initiative. However, despite this initiative developing country debt today still stands today at US\$2.85 trillion, up from US\$2.24 trillion in 2000 and US\$1.33 trillion in 1990. In this vein, we encourage Canada to support the call for an international debate on extending debt cancellation to a number of indebted countries currently excluded from the HIPC initiative and the establishment of a permanent, fair, transparent and independent debt arbitration mechanism.

“Debt resolution is a joint responsibility of all debtors and creditors” is an important acknowledgement of the need for a binding legal framework to guide future responsible lending, such as *Eurodad’s Charter on Responsible Financing*. Similarly, the acknowledgement of the shared responsibility of past debts points to the need for further discussions on, and support for country practices to address, odious and illegitimate debts. The debate on odious debts has further been developed with the publication of papers on the topic by UNCTAD and the World Bank. As new developments in external debt are considered, the recognition of odious and illegitimate debt must be noted and affirmed in Doha, and the principle of their cancellation considered.

Rethinking the roles of key pillars of the international financial architecture – The recent collapse of financial institutions across the US and Europe, the massive \$700 billion bailout agreed by the US government, and the inevitable global economic slowdown, sends perhaps the clearest signal in recent decades of the need to rethink the current global financial architecture. While Doha offers an inclusive moment to address the immediate crisis at the highest level, we will need to address the crisis in much deeper and stronger terms. We wholly endorse, therefore, the call for “a major international conference to review the international financial and monetary architecture and global economic governance structures”. The current financial crisis, the weak response of the “key pillars” of the World Bank and International Monetary Fund, the changing landscape of global development finance, and the increasing emergence of regional remedies to global crises, is a clear signal of the need for more effective institutions to help govern the global commons. However, we believe that such an event must be organized by the United Nations, not by the Bretton Woods Institutions themselves. It should be organized on the same inclusive principles that govern the Financing for Development process, and like the Accra High Level Forum on Aid Effectiveness, include the full and active participation of civil society organizations.

Ensure ongoing follow-up to the FfD process – Monterrey and Doha will essentially amount to nothing without a mechanism to ensure regular follow-up on the outcomes of the meetings, and an adequately staffed and resourced unit within the United Nations system that is able to support that process. The final outcome document should include such a reference.