

EURODAD contribution to the PES manifesto for the 2009-2014 EU legislature

About EURODAD

EURODAD (the European Network on Debt and Development) is a network of [54 non-governmental organisations \(NGOs\)](#) from 17 European countries working on issues related to debt, development finance and poverty reduction. The Eurodad network offers a platform for exploring issues, collecting intelligence and ideas, and undertaking collective advocacy.

Eurodad's aims are to:

- push for development policies that support pro-poor and democratically-defined sustainable development strategies.
- support the empowerment of Southern people to chart their own path towards development and ending poverty.
- seek a lasting and sustainable solution to the debt crisis, appropriate development financing, and a stable international financial system conducive to development.

Main priorities for the PES in the 2009-2014 legislature

Eurodad endorses the PES proposals on Regenerating Development Policy and on Reforming the International Financial System and Addressing the Taxation and Finance Issue contained in the Europe and a New Global Order, A Report for the Party of European Socialists, *Bridging the global divides*.

Promoting improved financial architecture

The EU Member State leaders adopted in 2002 the Barcelona commitments. Among them were the reform of international financial systems and strengthening the voice of developing countries in international economic decision-making. *"The Barcelona commitment is to influence the reform of the International Financial System by combating abuses of financial globalisation, strengthening the voice of developing countries in international decision making and, while respecting their respective roles, enhancing the coherence between the UN, International Financial Institutions and the WTO"*.

But very little progress has been made on this key aspect of development finance and call for this area to be given especial attention in this year's review.

PES President, Poul Nyrp Rasmussen said following the Gleneagles summit *"It is a big step forward but we need a New Deal. Unfortunately it is not sufficient."* We agree that much more needs to be done on development finance. Furthermore, we believe there is need for a new paradigm where shared responsibilities between creditors and debtors is acknowledged, where stronger voice for developing countries is given in the international arena and where stronger regulatory measures are implemented in the financial markets. This is particularly necessary in this new economic context where unregulated financial markets are showing their weaknesses and their dangerous effects on real global economy, which are particularly damageable for developing countries. The recent Liechtenstein scandal also shows that much needs to be done at the European level to combat tax havens and secrecy practices.

We support the PES position on Hedge Funds and Private Equity when they state that "they need proper and efficient regulation and supervision within the framework of the EU and at international level." This position must be strengthened during the coming mandate and urgently needs to materialise in concrete measures. Beyond these financial actors, the same concerns and responses must be raised and materialised for tax havens.

1. New financial actors such as Hedge Funds and Private Equity Funds are a threat to financial stability, and to employment and social policies. Appropriate regulations should be implemented to protect long term and employment-friendly business activities from such short-termist financial behaviour. The EC should take concrete regulatory measures aiming at dramatically increasing these actors' transparency within the EU.
2. Tax havens, many of which are European territories, should be dramatically reformed or closed completely. Estimates show that from \$500billion to \$800billion fly illicitly every year from developing countries, much channelled through tax havens. This capital flight is unjust and jeopardizes international commitments including the Monterrey commitment on mobilizing domestic resources for development.
3. The EU savings tax directive should be extended to all forms of capital income and legal entities. It should also be expanded to other countries outside Europe.
4. The EU should apply the country by country reporting of Transnational companies' activities not only in the extractive industry sector but also in any other economic activity.
5. Much progress is still to be done on the IFIs governance structure. The EP presented a report on the IMF reform calling for some concrete steps for advancing towards a double majority and establishing a single Euro-zone chair at the IMF. But no progress has been made so far. The European Commission's 2008 Annual report on the euro area calls on the European governments to take measures towards the consolidation of the EU's representation in the IFIs and, particularly, of the Euro-area. The EC and EU's Member States must consider those recommendations and take resolute steps to enforce them. This should be coupled with efforts to enhance developing countries' representation at the IMF well beyond the reform package currently being negotiated at the IMF. The proposed reforms are marginal and they fail to address the long-standing problem of internal democracy and legitimacy of the IMF.

Adopting a responsible lending framework and cancelling illegitimate debts

1. The debate on odious debts has further been developed with the publication of papers on the topic by UNCTAD and the World Bank. The EU should also recognise the issue of odious and illegitimate debt and should take concrete steps aiming at their cancellation. The legitimacy of creditor countries and the Bretton Woods Institutions in addressing responsible lending is at stake.
2. We welcome the fact that some Socialist MEPs have signed the [Parliamentarians declaration for shared responsibility on sovereign lending](#) that supports further research into the concept of illegitimate debt, that supports parliamentary audits on loans and that supports the principles of shared responsibility on sovereign lending as well as greater parliamentary participation on the lending and borrowing processes. Many more signatures are still needed to put this issue high on the international agenda. We call on the PES to take the lead in getting the European Parliament to support broadly this declaration and endorse it.
3. Vulture funds, by compromising the benefits arising from debt relief, present a specific challenge. According to the World Bank estimates from 2006, vulture funds had made more than \$1 milliard profits on Highly Indebted Poor Countries. While some countries, like Belgium have taken concrete steps at the national level these are totally insufficient to tackle this international phenomenon. The EU should play a leading role on this by ensuring that all EU Member States take legal measures against vulture funds practices and provide technical assistance to developing countries. An EU framework should be implemented in order to prevent predatory practices on developing countries' sovereign debts.

4. Debt is not done. While European governments tend to say that the debt problem is being solved through the HIPC and MDRI initiatives, these are largely insufficient. Many more countries need debt cancellation in order to achieve the Millennium Development Goals. Some experts¹ estimate that between US\$424 and US\$589 Billion of debt (NPV terms) should be cancelled; this amounts to 31-43% of all outstanding Third World Debt, affecting between 70-90 countries, many of which would need 100% debt cancellation. The European Parliament should raise this concern on the coming legislature and urgently call for expanded debt cancellation from all Member States and from the EC to all developing countries that need to achieve the MDGs.
5. The problem of debt re-accumulation and over-indebtedness must be tackled in a forward-looking way that looks comprehensively at the process of borrowing and lending – both in terms of *quantity* and *quality*. It is time for a bold, new approach. Responsible lending will only be achieved via the adoption of a binding legal framework that fairly allocates the burden of irresponsible borrowing on both creditors and debtors. It would take account of both the origin and impact of the debts, and give equal treatment to both debtors and creditors. Only a framework like this will change the incentives, and thereby the behaviour, of lenders. Such a framework could assume the form of an impartial and transparent process for resolving debt crises and disputes. The Eurodad responsible financing charter offers an alternative framework. We encourage the EU to promote responsible lending standards in [Eurodad's responsible finance charter](#).

Making aid more effective and accountable

1. The EU today collectively provides more than 50% of global aid resources. If the European 0.51% of GNI commitment is met by 2010, this share of the total will be even larger. The debates about development finance have been dominated by Washington to date. The EU should support the production of alternative sources of knowledge from developing countries and increase its own analytical capacity to provide a counterbalance to the (post) Washington consensus.
2. The EU should cease inflating the aid figures it announces to European citizens with amounts spent on debt relief, spending on foreign students in Europe and housing refugees in Europe. The latter two issues are not development aid and should not be counted as such. Debt cancellation is important but it should be reported separately from aid budgets. In particular the practice of counting the cancellation of export-credit debt as aid is wrong and must cease.
3. The role of the EU will be appreciated by the citizens of poor countries if its actions contribute to more democratic governance and less poverty. The EU should prioritise ensuring that its aid facilitates and does not undermine democratic institutions. In particular the EU needs to listen more to the concerns of citizens in poor countries when it designs aid programmes and build in independent evaluation mechanisms to examine the impact that its development cooperation has on democratic governance and poverty.
4. The EC should also [prioritise improving the effectiveness of the aid](#) that it manages. Some progress has been made, but there are still huge obstacles in terms of unpredictable aid flows, heavy and burdensome procedures and incoherence in particular between EU aid and trade policies.

¹ [New Economics Foundation, Steven Mandel, 2005](#).

Enhance parliamentary reporting on aid, debt and broader development finance issues

The European Parliament has a key role by ensuring European citizen's concerns are raised at the political level and concrete measures are taken to tackle them.

Eurodad calls on the European Parliament to produce reports on the issues mentioned above, particularly on the Hedge Funds and Private Equity, tax havens, vulture funds and responsible lending practices. These reports should feed debates and provide recommendations to the EC for regulatory measures. The EP must enhance its relationship with CSO working on development finance issues by ensuring more debates, consultation and dialogue on these fields.

The EU has positioned itself as the leader on development assistance but much work is still to be done in many of the development finance areas, as pointed out above. The European Parliament must push further the development agenda at the EU level and ensure that all the rhetoric commitments on development finance are translated into real measures.

Further information and contact details

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