

## CIVIL SOCIETY FORUM<sup>1</sup>

In the context of the **5<sup>th</sup> United Nations (UN) High-Level Dialogue on Financing for Development**, the **Friedrich Ebert Stiftung**, the **NGO Committee on FfD** and the **UBUNTU Forum** organized on the 6<sup>th</sup> of December the first ever Civil Society Forum (CSF) prior to the United Nation's High-Level Dialogue on Financing for Development (FfD). Consisting of two plenary sessions, the CSF brought together a broad range of voices coming from civil society organizations, United Nations (UN) representatives and academia. The first session examined the progress made since the Monterrey consensus in terms of socio-economic development and rising inequalities. The second session explored how to better align local and global attempts to raise funds to finance development.

The sessions were preceded by a preparatory meeting in which Hazem Fahmy from the UN Financing for Development Office, Barbara Adams from Social Watch and representatives from the National Nurses United introduced the main concepts to be discussed during the CSF. Their valuable contributions also situated the Forum's discussion within the larger FfD process. Upcoming events such as the Committee of Social Development, the 2012 ECOSOC Development Cooperation Forum and the 2013 Conference for FfD will continue pushing for the FfD agenda.



Picture by the Friedrich-Ebert Stiftung and the UBUNTU Forum.

---

<sup>1</sup> Report by Hernán Cortés (UBUNTU Forum) and Anahi Wiedenbrug (Global Policy Forum)

## Civil Society Forum, New York 6th of December 2011

### SESSION 1. UNFINISHED BUSINESS OF MONTERREY: RISING INEQUALITY AND ITS IMPACT ON DEVELOPMENT

The Forum's first session featured **Ambassador Anwarul Chowdhury** who made a welcome on behalf of the President of the UN's General Assembly, **Shari Spiegel** (UN Department on Economic and Social Affairs), **Amin Husain** (Occupy Wall Street Movement), **Mayra Moro-Coco** (Association for Women's Rights in Development) and **Roberto Bissio** (Social Watch). **John Langmore** from the Academic Council on the UN System moderated the debate. In their contributions the speakers explored how rising inequality impacted development. Ten years after the Monterrey Consensus was adopted on March 22, 2002, this session revisited the question of how resources to finance development can be mobilized in a climate of great economic instability.



Picture by the Friedrich-Ebert Stiftung and the UBUNTU Forum.

### RISING INEQUALITY AND ITS IMPACT ON DEVELOPED AND DEVELOPING COUNTRIES

Amb. Chowdhury introduced the discussion by highlighting that the sovereign debt crisis of the developed countries overshadows all other issues on the multilateral agenda. While the financial and economic challenges that developed countries face are largely discussed in international summits, developing countries (especially least developed ones) lack of financial resources is widely ignored. This further exacerbates the vast inequalities which already exist between developed and developing countries. Denouncing this trend, Amb. Chowdhury

## Civil Society Forum, New York 6th of December 2011

pointed out that developing countries ought to realize that they must break with their economic dependency from developed ones.

Maintaining that developed countries problems ought not to dominate the global agenda, however, does not mean that their problems do not need to be addressed urgently. As Shari Spiegel asserted, inequality has been widening more significantly in the developed world than it has in developing countries<sup>2</sup>. Consequently, she welcomed efforts to address that rising inequality within the developed world.

Amin Husain asked to look beyond the differences between developing and developed countries as the challenges they face are rooted in the same problem - namely a crisis of trust in national governments and political disenfranchisement.

### THE FAILURE OF OFFICIAL DEVELOPMENT ASSISTANCE AND FOREIGN DIRECT INVESTMENT AND THE NEED FOR SYSTEMIC CHANGE

All panelists agreed that Official Development Assistance (ODA) and Foreign Direct Investment (FDI) have failed to tackle rising inequality effectively. Amb. Chowdhury maintained that one of ODA's and FDI's biggest problem is that the money which is originally invested in developing countries does not stay there in the long term, but leaves the country by being re-invested in developed economies. According to Roberto Bissio, many developing countries receiving ODA have budgetary surpluses. Rather than investing those surpluses in their country's socio-economic development, however, their leaders chose to invest them in developed countries' sovereign debt. In these cases, it could be argued that instead of reducing inequality, ODA is further exacerbating it.

Therefore addressing systemic causes that maintain inequality thus becomes of the uttermost importance. According to Mayra Moro-Coco, these systemic problems have largely been ignored in the Monterrey process. Moro-Coco further emphasized how in a context of worsening economic conditions, special attention ought to be paid to the effect that economic instability has on women, as cuts in public services disproportionately affect them. To overcome systemic causes for rising inequality, Amb. Chowdhury proposes to focus on five priority areas, namely female empowerment, rural development, greater market access for Southern products, increase in remittances, and the provision of Micro-credits. Roberto Bissio and Mayra Moro-Coco both affirmed that successfully addressing such a problem will require bringing the Monterrey process back from government fora such as the G20 Summits to the UN. "Monterrey consensus" must be implemented within a more democratic and reformed UN.

---

<sup>2</sup> For further information check:

[http://www.oecd.org/document/40/0,3746,en\\_21571361\\_44315115\\_49166760\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/40/0,3746,en_21571361_44315115_49166760_1_1_1_1,00.html)

## Civil Society Forum, New York 6th of December 2011

### A QUESTION OF POLITICAL WILL

The speakers also agreed that addressing the systemic causes responsible for increasing intra- and international inequality is feasible and a question of political will. Intelligent political decisions and policy choices need to be taken in order to alter the status quo. According to Roberto Bissio and Shari Spiegel, a step in the right direction would be to increase regulation within the financial sector. The financial sector is the most profitable economic sector out of all. As a study from the University of Indiana shows, in the US 60% of the wealthiest "1%" work in the financial sector. Through wealth creation, the financial sector accrues the power to influence political decisions in its favor. Consequently a vicious circle is created in which the wealthier the financial sector gets, the more it can influence the policy-making process to its advantage, allowing it to become even wealthier in a positive feedback loop, some would say, to the detriment of wider society, the "99%". Shari Spiegel proposed two concrete measures to break this vicious circle. First, the incentive structure for those working in the financial sector needs to be changed. Second, the size of the bonuses needs to be strongly limited.



Picture by the Friedrich-Ebert Stiftung and the UBUNTU Forum.

## Civil Society Forum, New York 6th of December 2011

### SESSION2. INNOVATIVE FINANCING FOR DEVELOPMENT: LINKING THE GLOBAL AND THE LOCAL AGENDAS

The Forum's second session, moderated by **Kevin Dance** (NGO Committee on Financing for Development), featured **Peter Bakvis** (ITUC), **David Kalik** (Fiscal Policy Institute), **Kelly Wolcott** (Occupy Wall Street Movement), **Ken Zinn** (National Nurses United), **Manuel Manonelles** (UBUNTU Forum) with a final intervention by **Charlotte Montet** (French Permanent Mission to the UN and on behalf of the Leading Group on Innovative Financing). The session focused on innovative mechanisms to finance development (mainly the role of the Financial Transaction Tax (FTT)) and how these mechanisms can address inequality and link the local and the global agendas.



Picture by the Friedrich-Ebert Stiftung and the UBUNTU Forum.

### ROOT CAUSES FOR RISING INEQUALITY

Although inequality has been rising since the 70s, today's economic and financial crisis exacerbated this trend. As the latest OECD report ("Divided we stand: why inequalities keep rising") revealed, this is especially true in developed countries. As a consequence, Peter Bakvis remarked, developing countries are reducing their provision of ODA.

## Civil Society Forum, New York 6th of December 2011

The panelists identified two main causes that explain rising inequality in developed countries. First, as Kelly Wolcott maintained, current forms of socio-political organization lack strong legislations “representing the interests of Wall Street firms and the financial sector”. Second, the tax system is flawed. No effective progressive taxation system is in place and the financial sector is, if at all, heavily under-taxed.

The financial sector, therefore, has vast economic and political power, which allows it to heavily influence the policy making process. This results in an extraordinary income concentration in the financial sector. According to David Kalik, “in the USA the top 1% has the 23% of the income”. The question is, therefore how can this income concentration be legitimized, and on what ground? As Ken Zinn asked, “can we defend that individuals pay taxes but banks don’t?”

### SOLUTIONS

To address these rising inequalities and being able to finance development, regulating the financial sector thus becomes a priority. Peter Bakvis, Ken Zinn, Manuel Manonelles and Charlotte Montet presented a FTT as the most suitable and feasible option to regulate the financial system and raise revenues for development.

In today’s unstable economic climate, introducing a FTT (although the most meaningful of the innovative mechanisms to finance development) is becoming a more and more interesting option and is being considered and discussed within the European Union, the G20, the OECD and the IMF. According to Ken Zinn, it could constitute a “baseline to fund social needs in the USA and around the world”, and, as Manuel Manonelles reiterated, its feasibility has been repeatedly demonstrated.

Unfortunately, as the last G20 meeting in Cannes proved, a clear consensus among governments is, however, still lacking. Neither within the EU, nor within the UN has consensus been reached. Although Norway and France have been pushing to introduce the FTT in the UN’s resolution on FfD, G77 countries have rejected such proposal.

### LINKING THE GLOBAL AND THE LOCAL AGENDAS

The presence of representatives from local movements on the one hand and international organizations on the other hand, highlighted the importance of linking the local and the global agenda. As Manuel Manonelles affirmed, “if there is no lobby at the local and national level, there cannot be one on the global level”. In issues such as a better financial regulation, and the improvement of public services, the local and the global meet.