THEMATIC REPORTS

The economic crisis: time for a new social deal

More and more people are realizing that the global financial crisis is merely a symptom of a more systemic problem – a crisis of the "real economy" – that those responsible refuse to acknowledge. The capitalist system cannot be reformed or tinkered with through inadequate social security measures that leave the core of its societal logic intact. Only a complete transformation of society organized around a new logic can lead to a world in which meeting human needs, not corporate profits, is the priority.

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The dynamism and aggregate wealth that the capitalist system has been able to produce in the last 200 years have come at a steep price. With remarkable resilience, this system has weathered many internal and external challenges, but there have been significant costs both for human stakeholders and increasingly for the natural environment.

As its historic fortunes decline, both capitalism's victims and beneficiaries face the elusive prospect of addressing the decline in productivity, lack of equity, widespread poverty and worsening of its distributive inefficiency. As more and more people recognize, the global financial crisis today is merely a symptom of a more systemic problem. There is a crisis of the "real economy" – a crisis of capitalism that is suffering not just from ephemeral ailments but from a terminal illness.[1]

In the past, capitalism survived by repeatedly purging itself of debt and endemic social democratic deficit by off-loading the costs of the necessary strategic adjustments onto the weak and the poor. The crisis would end only after a massive devaluation or destruction of capital, accompanied by large-scale unemployment and a fall in wages. The rate of profit would then be restored with a renewed if not greater prospect for higher growth rates.

Capitalism thus destroys the social fabric by ratcheting up unemployment, destroying neighbourhoods and provoking social tensions and violence. The result is growing inequality, severe unemployment and unacceptable poverty levels for the majority of humanity. This time around the generic characteristics are nearly the same, but the effects of the damage seem to resist any remedial measures. It can be seen that:

- Social and humanitarian needs keep escalating as the resources needed to deal with them steadily decrease or, in many cases, simply evaporate. The situation of Greece in 2010 is an example.
- Social cohesion is under a level of stress not seen for decades mainly due to the fact that less privileged groups are competing for scarcer services while more and more families are becoming 'newly' vulnerable and therefore in need of external support from non-traditional sources.
- Gains made across regions during the last decade are in jeopardy of being completely lost not only in the least developed economies but also in developed ones.
- Growth is merely artificial if it is fuelled by unemployment.

The systemic framework of the crisis

Neo-liberal policies pursued by corporate sector-driven interests have caused this crisis. However, it is not completely accurate to argue that neo-liberalism means a deregulation of markets; it is rather closet regulation of the market in the interests of the owners of capital, as the issue of patents makes transparent. From time immemorial, "intellectual property" was unregulated; the men and women who invented the wheel and agriculture made no money out of these inventions, despite the fact that all subsequent generations have made use of them. It is only under capitalism that corporations rush to patent not only their own but also other people's inventions and discoveries so that, for example, pharmaceutical companies can make obscene profits by selling life-saving drugs at prices that condemn most patients who need them to death. Thus when regulation or lack of it is being discussed, it is important to be conscious of the fact that either way will work in favour of the hegemonic interests in a given political economy. What may pass as under-regulation will, on closer examination, constitute regulation on the sly and in the interest of the ruling section of society.

Neo-liberalism has usually ensured that regulations protecting the economically disadvantaged in particular and the public in general are "abolished." This is why from the 1980s to date an orgy of deregulation has been orchestrated in most of the advanced capitalist economies, spreading swiftly under all regimes influenced by the IMF and the World Bank. To prepare the way for neo-liberalism to extend its roots in the world economy through the Washington Consensus, the Glass-Steagall Act was repealed in 1999. This had been passed in 1933 amid the collapse of the banking system to segregate commercial banking (taking deposits and lending) from the much more risky business of investment banking (underwriting and selling stocks and bonds) and helped to halt the run on banks. After deregulation the subsequent and vigorous pursuit of a "securitization revolution" helped consolidate the elite warriors of the capitalist global economy – the Wall Street tricksters.

The system rests on the unplanned interaction of thousands of multinational corporations and of major governments of the global North. It is more or less like a traffic system without lane markings, road signs, traffic lights, speed restrictions or even a clear code stating that everyone has to drive on the same side of the road. No doubt this will make it very difficult to prevent the crash in the financial sector from generalizing into something much more serious in the next few months or years. The sooner we acknowledge the fact that only a minority benefits from capitalism, the sooner we can create a democratic solution for the majority. If the cause of this unending misery is systemic, the solution must be systemic as well.

Shock transmitters

The processes of international economic integration are increasingly leaving peripheral states – and poor states in particular – with diminishing authority to regulate conditions defining the relationships between capital and labour, the operational mechanisms and conditions of access to internal markets, and the quantum of budgetary allocation for equitable social development. Given that states still remain the legitimate framework for systems of formal political participation, there is a looming danger of a legitimacy vacuum opening up as these processes extend their sway into all manner of illegitimate jurisdictions.

For many countries and societies in the South, accelerated integration into the global economy has been accompanied by growing inequality and marginalization. Local and national institutional frameworks and instruments of social policy have been undermined and rendered ineffective when dealing with the effects of neo-liberal globalization. Supranational entities such as the IMF, the World Bank and the World Trade Organization (WTO) shape not only global social distribution, regulation and provision but also national and local social policy dispensations, bringing about the disempowerment of large sections of society.[2]

1 For more on this issue see F William Engdahl, "Financial Tsunami: The End of the World as We Knew It," Global Research, 30 September 2008; Henryk Grossmann, *The Law of Accumulation and Breakdown of the Capitalist System*, tr. Jairus Banaji (London: Pluto Press, 1992); Rudolph Hilferding, *Finance Capital – A Study of the Latest Phase of Capitalist Development*, tr. Morris Watnick and Sam Gordon (London: Routledge and Kegan Paul, 1981).

2 Bob Deacon with Michelle Hulse and Paul Stubbs, *Global Social Policy: International Organizations and the Future of Welfare* (London: Sage, 1997).

Unfortunately not many countries of the South have developed the necessary steady hands required for hitting the reset button in order to either reclaim the policy space for protecting the vulnerable in their societies or cut the transmission channels that have brought the effects of the crisis to the homes and workplaces of the vulnerable. At the macroeconomic level, developing countries have mainly been affected by the crisis through the following transmission mechanisms:

- Unregulated financial markets.
- International trade, unevenly tilted in favour of the powerful industrial economies of the North.
- Unregulated capital flows into more attractive lairs of capital accumulation.
- Bad government budgeting.
- Counter-productive aid.
- Corruption.

Mechanisms for social protection that could obviate the malign influence of the above fall into a number of categories and corresponding instruments of intervention. First, at the protection level, measures such as social assistance, through public and private transfers, disability benefits, pension schemes and social services could provide immediate relief to the most vulnerable in each society. For instance, the World Bank estimates that remittances to Kenya reduced the number of people living in absolute poverty by 8.5%.[3] Yet Kenya experienced a drastic fall in international remittances of over 10% in the second half of 2008.

Second, at the prevention level, mechanisms such as social insurance, social transfers and saving clubs could help forestall damage to traditional coping strategies and mechanisms. Third, at the promotion level, a wide variety of economic opportunities could be made accessible through instruments such as easy and sustainable access to credit, school-fees waiver, school feeding programs, public work programs and agricultural starter assistance packages. This would, of course, promote resilience through increased livelihood diversification and general social security.

Finally, at the social transformation level, different types of underlying vulnerabilities could be addressed using social protection mechanisms[4] ranging from the promotion of minority rights to the establishment of appropriate social funds for anti-discrimination policies. Again, this would facilitate the desirable transformation of social relations that would lead to a drastic reduction of social exclusion, which has become a cause of intermittent conflicts.

Social protection challenges

Many sections of society have been affected by the current crisis, albeit in different ways and depending on their geographic location, socio-economic position and primary source of securing a livelihood. Countries with strong social movements and with a notable tradition of processing social demands on behalf of the vulnerable (such as Indonesia, the Philippines and a handful in Latin America) have built on ongoing reform dynamics with remarkable successes.

In Indonesia, for instance, the Government found it prudent to establish a Crisis Monitoring and Response Unit as a first step for a concerted effort to deal with the effects of the financial crisis. It further engaged in a drastic budget revision in order to accommodate additional elements of a fiscal stimulus strategy that pursued three major objectives: increasing and/or maintaining the public's purchasing power; stimulating trade and promoting entrepreneurship; and accelerating job creation and fostering the growth of small-scale businesses. Due to favourable initial conditions and timely policy responses, the Indonesian economy has so far weathered the storm with growth rates remaining at comparatively high levels and continuing positive trends with regards to poverty reduction. The majority of African countries, on the other hand, has weak social movements and can point to few tangible measures aimed at alleviating the plight of the poor.

There is no doubt that one of the most severe problems caused by the economic crisis is the protracted unemployment that seems to be here to stay. The pace of economic recovery usually lags far behind Gross Domestic Product (GDP) growth. However, there is a promising intervention that can combine job creation with enhancing livelihood options. If designed with the needs of the most vulnerable in mind, such a social protection policy should be both pro-development and pro-gender. This will require putting in place a social security policy framework and instruments that will promote equitable social development if there is to be any possibility of achieving the Millennium Development Goals (MDGs).

Social protection can play an integral role in mitigating the debilitating impact of poverty, particularly in a crisis such as the current one. To that extent it is an important counter-cyclical policy. However, the social protection responses to the ongoing neoliberal capitalist crisis have been not only minimal but also chaotic, to say the least. Admittedly different countries have opted for a wide range of social protection measures and some have made good their determination to meet their pre-crisis commitments. Kenya and Uganda fall into this category among developing countries. Others, such as Ghana, have gone out of their way to exceed their pre-crisis coverage range even at the risk of widening an already almost unsustainable fiscal deficit. However, a large number of countries have put social protection measures on hold and chosen instead to focus on addressing macroeconomic stabilization challenges. Nigeria, for instance, has opted for fiscal stimulus regimes while, at the same time, regulating an ever widening-deficit. This could only be possible through a judicious reduction in social sector spending that would otherwise trigger off micro-economic tremors.

In addition to economic pressures, some countries are also being dealt severe blows to their human development and socio-economic stability due to the constricting domestic policy spaces required for decisive action. While advanced and emerging economies have some room to manoeuvre, many developing economies find themselves under the double bind of government and current account deficits. Consequently, their policy and fiscal space has shrunk. At a time when targeted, counter-cyclical policies should be put in place and government spending on the social sector should be expanding, they are forced to take the opposite path.

All countries must have the ability to introduce counter-cyclical policies, with international help, in order to reverse the trends of insufficient demand and growing unemployment. It is imperative that special lending facilities are made available under favourable conditions for this purpose. Recent IMF and World Bank documents seem to recognize and appreciate the lessons learned from previous crises and structural adjustment policies; yet the claim is heard again that "prudent" macroeconomic policies must remain in place. Thus the first question tends to be whether developing countries can "afford" the budgetary allocation needed to promote social security for men and women alike.

A new social deal is required

There is a strong urge for more efficient allocation, rationalization and spending of social protection resources. At present, relevant efforts remain fragmented and ill-targeted in terms both of programming and of strategic objectives and modalities of implementation. Large scale and long-term budgetary expenditure and reliable donor support will be needed for social protection schemes to reach and

3 Kenya –Country Progress Report, World Bank, 2008.

4 For more on this issue, see: Andy Norton, Team Conway and Mick Foster, "Social Protection Concepts and Approaches: Implications for Policy and Practice in International Development," *Working paper 143,* Overseas Development Institute, London, 2001; Stephen Devereux, *Social Protection and the Global Crisis* (Brighton: IDS, 2009); Charles Knox, "Response to 'Social Protection and Global Crisis'," 14 May 2009, available from: <www.wahenga.net/sites/default/files/Response_to_Social_protection_and_the_global_crisis.pdf>; Anna McCord, "Global Financial Crisis: Poverty and Social Protection, Evidence for 10 Country Case Studies," *An ODI Briefing Paper,* London, August 2009.

benefit those impoverished by the crisis. There are several systemic challenges, which may touch on the need to mainstream social security into the clamour for social democratic reforms. This will call for a comprehensive readjustment of economic systems, allowing for:

- Stabilization of employment.
- Stability between private and public sectors.
- Expanded coverage of basic social insurance systems involving both private and public sectors.
- New labour relations that seek to reinstate a proper power balance between capital and labour.
- Equity in access and distribution of resources for social development.

Social protection can no longer remain isolated and disjointed from a society's struggle for democratic renovation. The demand for its realization must be woven into the democratic wirings of a nation's political economy and its democratic potential. Such political economy requires a New Deal that is solidly grounded on a new social-democratic contract that goes beyond Franklin D Roosevelt's dream of saving capitalism from the depression of 1929. It is clear that he was not elected on a New Deal program and he had no intention of implementing policies associated with the New Deal when he first took office. He was persuaded to enact these policies by the looming pressure and threat of mass unrest following the telltale signs of a crisis foretold many times by critics of the system. It was obviously a question of granting reforms and concessions from above or risking a potentially uncontrollable social explosion from below.

Although Roosevelt's New Deal succeeded in letting off some steam by putting people to work in a series of massive public works projects, it was nowhere near enough to guarantee the long-term survival of a system, the driving logic of which is running out of democratic rationale. It was World War II that really pulled the US out of the Great Depression.[5] In other words, it was production for a war that killed millions of people and brought billions in profits to the corporate world economy that "saved" US capitalism as the bellwether of the global market economy.

The role of social security

Social protection in the foreseeable future will remain a patchwork of fragmented, uncoordinated, ill-focused and always reactive palliatives no longer suited for meeting the long-term challenges facing neo-liberal capitalism. The situation calls for a fundamental rethinking of the principles as well as the policies underlying our inherited social contract and the political and economic paradigm inspiring its design and architecture. There is a need to start from scratch and rethink the appropriate functions of all the sectors that make up the economy: the state, civil society, citizenry and environment.

The complex, largely unwritten deal between a democratic state, a social market and a non-hegemonic society should be one that provides the necessary social security for empowered citizens in order for them to navigate a dynamic political economy that serves every member of a given society. However, there is a worsening situation that has defied traditional explanation by apologists of neo-liberal capitalism. Reliable pension plans and employment opportunities are disappearing in the jungle of a deregulated market economy as health conditions of the majority of citizens deteriorate with no signs that impatiently awaited recovery would bring any positive change. Real wages remain stagnant, income and wealth inequality are reaching record levels, and more families are falling out of the middle class. The situation calls for a brand new deal, designed to renovate the moribund neo-liberal market economy.

This new social market economy must rearrange the balance of power between capital and labour, state and society, rural and urban, North and South, centre and periphery. Such a social contract should be designed to promote long-term growth and broadly shared prosperity and to support individuals and families not as employees but as citizens. This should help put forward concrete policy proposals on affordable health care for all, broad-based asset ownership, retirement security and lifelong education.

Human needs on top

Eventually the peoples of the world will come to realize that it is capitalism itself, not this or that rotten or corrupt individual or party that is the cause of so much instability in the economy and misery among the majority of the members of our societies. Nonetheless, illusions about the effectiveness of the various forms of stimulus packages aimed at saving capitalism from its self-destructive logic remain unrealistically high for many. How could it be otherwise, in a sense, given the unfavourable balance of social forces contending for a democratic redefinition of the future of mankind? Whereas the pressure for change from popular forces is mounting, they are not yet strong enough to bring it about.

So while we cannot afford to continue acting recklessly against reforms, even those with minimal social-democratic content and largely offering palliatives, we must remain steadfast against reformism, particularly the type that argues that somehow the neo-liberal capitalist system can be made kinder, gentler and more responsive to the deepening plight of its victims. The system, by its very nature, is based on the exploitation of the many by the few, of ownership and control over the vast majority of the wealth of society by a tiny handful of the population. It cannot be merely reformed or tinkered with through ephemeral social security measures that leave the core of its societal logic intact. Only a complete transformation of society around a new logic can lead to a world in which meeting human needs, not corporate profits, is the priority. ■

5 Chalmers Johnson, "Going Bankrupt: The US's Greatest Threat,' *Asia Times Online*, 24 January 2008. Available from: <www.atimes.com/atimes/Middle_East/JA24Ak04.html>.

Gender in times of crisis: new development paradigm needed

Despite some progress, commitments to gender equality are far from being implemented. Uneven progress towards the Millennium Development Goals (MDGs) – all of which have gender dimensions – as well as increasing poverty and inequality are due not only to external shocks and crises but also to underlying structural imbalances. Policymakers need to rethink macro-economics and recognize that economies depend on an extensive care economy in which the main workforce is female. The time has come for a new development paradigm with equal rights and opportunities for all. Will the new UN gender entity, UN Women, be able to catalyze such a shift?

Social Watch Gender Working Group[1]

In 1979, many of the governments of the world made legal commitments to women's rights by signing the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Sixteen years later, in 1995, the 4th World Conference on Women adopted a comprehensive plan of action towards gender equality, the Beijing Platform for Action. In September 2010, the world's leaders will meet in New York at the MDGs Summit to assess progress towards the MDGs, including reducing poverty and inequality and discuss how best accelerate such progress in the face of multiple and overlapping crises on climate, food, energy, finances and the economy.

In spite of some progress, the commitments made in Beijing and the CEDAW are far from fully implemented, nor is gender equality always a component of sustainable economic and social development programs. By any measure, including Social Watch's Gender Equity Index (GEI), there is urgent need for progress in this area, since governments are quick to sign on to international instruments but slow to ensure their implementation.

Growing poverty and uneven progress towards the MDGs – all of which have gender dimensions – are due not only to external shocks and crises but also to underlying structural imbalances. In times of crisis, it is women who bear the brunt of decreased financing for development, having to find ways to feed and support their children and other dependants as household income falls, and taking on more unpaid work as social services are cut. The poor – and women are the poorest among the poor – have no cushions and reserves to cope with crises. Yet, the same countries that cannot find money to fund development mobilized trillions of dollars to rescue banks and corporations.

The quest for a new development paradigm

Crises such as the food, fuel and financial crises are not gender-neutral. They exacerbate already existing inequalities and highlight the negative effects on women and women-dependent economies. Yet, few measures that countries have taken to respond to the crisis have prioritized women's employment and livelihoods. Without carefully targeted measures, poor women are bound to fall through the cracks, obliged to seek more precarious jobs with lower productivity, meagre incomes and lack of social protection. Many become more vulnerable to trafficking and dangerous or illegal forms of work.

Measures to protect women from the worst impacts of the crises are essential. Also badly needed, however, are long-term social development policies that solidly embrace gender as a key step towards equality and increased human well-being. Social indicators take twice as long to recover from crises – as seen in previous crises in Asia and Latin America – and these must be carefully monitored along with economic growth. Economic growth is no longer a valid measurement of human and social well-being. A paradigm shift is needed which must be reflected in practice. It is not a question of aiming for growth and formulating some policies for women, or for poor families, but of designing and implementing a new development paradigm with equal rights and equal opportunities for everyone.

Despite progress in terms of legal and policy frameworks towards gender equality, women's movements worldwide have become frustrated with the failure of States to implement these frameworks and deliver on their commitments. As Norah Matovu Wing, Executive Director of the African Women's Development and Communication Network (FEMNET) stated: "The change achieved in the political, social, economic status and situation of African women cannot be denied. However, the concern is that those enjoying these benefits remain a minority."[2] And changes in the daily lives of women are few and far, especially for those in rural areas and those forced to migrate within countries and abroad.

Gendered impacts of the economic crisis

The economic crisis in 2008 and the subsequent recovery plans at national, regional and international levels have failed to acknowledge, understand, analyse and rectify the gender impact of the financial crisis. Continuous denial of its gender impact coupled with the failure to include women as part of the solution runs the risk of returning to a "business as usual" recovery strategy which, in the long term, will have detrimental consequences on the real lives of women, men, and children as well as the environment.

This current economic crisis is unlike previous recessions in that this recession has had – and will continue to have – a much greater, albeit differentiated, impact on women. In contrast to past periods of economic downturn, women today "are the single biggest – and least acknowledged – force for economic growth on the planet," at least according to *The Economist*, which suggested that, over the past few decades, women have contributed more to the expansion of the world economy than either new technologies or the emerging markets of China and India.[3] This reality is being completely ignored. Furthermore, the unprecedented numbers of women in the labour market means that they contribute to household incomes far more than ever before. Therefore, women's integration into the workplace will mean not only a greater direct impact of the crisis on women themselves but also on households, where incomes will be significantly affected by female job losses.

But more importantly, the economic position of women at the start of the recession was by no means equal to that of men. With employment patterns characterized by gender segregated labour markets, gender gaps in pay, higher levels of part-time work and high concentration in the so-called informal sector with lower earnings and little or no social protection, women are not in an advantageous position to weather the crisis.

It is important to recognize the interdependent and multi-layered dimensions of the financial and economic crisis in order to understand their full impact on women and gender relations now and in the future. For the most part, the gender dimensions of this crisis have been overlooked. Official unemployment predictions in Europe, for example, give similar

1 This article is the result of the work of the Social Watch Gender Working Group, based on findings from the *Social Watch Occasional Paper 06, Putting gender economics at the forefront* (March 2010). The writing was done by Enrique Buchichio and Amir Hamed, from the Social Watch Secretariat.

2 African Women NGO Review Beijing +15, November 2009. Available from: <www.foroyaa.gm/modules/news/article.php?storyid=3913>.

3 Ruth Sunderland, "This mess was made by men. Now let the women have their say," *The Observer*, 1 February 2009. Available from: <www.guardian.co.uk/commentisfree/2009/feb/01/davos-global-recession-gender>.

figures for women and for men. However, these fail to take into account the over-representation of women in part-time work, an area which is excluded from unemployment statistics. In 2007, the percentage of women working part-time in the EU was 31.2%, four times higher than for men.[4] Women are also the main providers of public services, representing up to two-thirds of the workforce in education, health and social care; it is therefore likely that female unemployment will rise disproportionately with cutbacks in public sector spending.

In order to understand the effects of public spending cuts on women, in both the short and the long term, a gender impact analysis should be conducted before the cuts are made. State responses to this crisis have focused on male-dominated sectors (e.g., the car industry or the construction sector), but reductions in public expenditure will undoubtedly result in the transfer of services such as caregiving back to women, further restricting their ability to fully participate in all aspects of life. Similarly the impact of expenditure cuts to support services in socio-economically disadvantaged communities will result in a greater reliance on women both within families and in the community.

All over the world, women's unemployment rates are increasing due to outmoded gender conceptions and cuts in public spending, while at the same time their participation in the informal economy and in "voluntary" work has increased as social protection measures are removed and women are expected to fill in the gaps.

Global challenges: a quick overview

In Asia, Africa, Europe, Latin America and the Middle East, women's movements have acknowledged the positive effect of international agreements on the lives of women and girls. However, some regions are also registering increases in religious extremism and/or right-wing conservatism that is linked to the perpetuation and propagation of discriminatory laws against women. Many States and political parties are manipulating the right of people to cultural and religious diversity as a pretext for violating human rights, including the rights of women, girls, people living with HIV/AIDS and persons with different sexual orientations.[5] The political oppression of women and their rights is also compounded by armed conflict and an excessive focus on militarization rather than human well-being as a means of security.

Variations of this phenomenon are visible in Africa and other developing regions the crises have reached through various channels of transmission. It has also become necessary to use a gender perspective to decode situations within households, since people who share the same space have asymmetric power relationships.[6] Moreover, despite current changes in social roles, the division of labour by sex within households is still very rigid. The limitations placed on women by this division of labour, as well as the social hierarchies based on it, determine an unequal situation within three closely-linked systems: the labour market, the welfare or social protection system and the household.

Latin America and the Caribbean: lack of gender policies

The decrease in trade – both in volume and in value –, the drop in remittances and unemployment along with an increase in poverty are the principal negative consequences of the global economic crisis in Latin America. Over 2 million people lost their jobs in 2009 and, despite forecasts of greater economic growth in 2010, those jobs will be difficult to recover.[7] This is compounded by the report by the Economic Commission for Latin America and the Caribbean (ECLAC) that 2009 exports dropped by 24% as a result of the crisis.[8]

So far, responses to the crisis in the region have focused on stabilizing the financial sector and on actions to sustain demand, employment and support for vulnerable populations. However, very few of the measures taken by governments in Latin America and the Caribbean mention women, despite the fact that the impact of the recession is greater on them, in terms both of unemployment and of more precarious work, with lower productivity and less social protection. Gender inequality needs to be taken into account in these policies since accumulation of profit is not only based on the exploitation of natural resources, but also on the basis of cheap labour, women's labour being the cheapest of all.

The production process includes, though does not formally acknowledge, a double burden on women within the household (or "voluntary" work) and through lower wage jobs in order to increase profits. Over the last decade, salaries went down in most of the countries of the region, largely due to the inclusion of more women in the labour market.

At the 10th Regional Conference on Women in Latin America and the Caribbean, in August 2007, 33 governments approved the Quito Consensus calling for the adoption of all needed affirmative action measures and mechanisms, including legislative reforms and budgetary measures, to ensure women's participation and rights.[9] The inability to enforce the commitments made in Quito demonstrates deficiencies in gender equality policies which are linked to the weakness of States in adopting and enforcing mechanisms for the advancement of women and to the predominance of skewed "welfare" policies, based more on charity than on human rights.

At the recent 11th Regional Conference on Women in Latin America and the Caribbean in July 2010 in Brasilia, Brazil, ECLAC presented a paper that examines the achievements made in gender equality and the challenges women still face in the region.[10] This proposes a new social covenant to redistribute the total workload (paid and unpaid) between men and women, in order to facilitate women's access to the labour market.[11]

African region: a drop in the ocean

Despite the advances in legislation geared towards gender equity and judicial process, African women expressed disappointment with their Governments for being quick to sign onto human rights instruments and endorse different policies at the international and regional levels but extremely slow in delivering on their commitments.

The Africa NGOs Shadow Report on the Beijing +15 found that "the many practical steps taken over the last five years are a drop in the ocean when assessed against the many promises made by African Governments on the fundamental issue of achieving gender equality, equity and women's empowerment. In short, African leaders are falling far short of the expectations of African women."[12]

While State policies currently do reflect some elements of "gender equality" frameworks, on the whole, these stop short of fully addressing issues of women's empowerment and in particular, sexual and reproductive health and rights.

4 European Women's Lobby, *Women and the economic crisis: the urgency of a gender perspective*, 2010. Available from: <www.socialwatch.org/node/11592>.

5 See for example Social Watch, *Putting gender economics at the forefront – 15 years after the IV World Conference on Women*, March 2010. Available from: <www.socialwatch.org/node/11571>.

6 Social Watch Research Team, *Gender and poverty: a case of entwined inequalities*, 2005. Available from: <www.socialwatch.org/sites/default/files/pdf/en/genderpoverty2005_eng.pdf>.

7 ILO, *2009 Labour Overview for Latin America and the Caribbean*, Geneva, January 2010.

8 ECLAC, *International trade in Latin America and the Caribbean 2009: crisis and recovery*, January 2010. Available from: <www.eclac.org/id.asp?id=39409>.

9 "Latin American and Caribbean countries approve Quito consensus," 14 August 2007. Available from: <www.caribbeanpressreleases.com/articles/2200/1/Latin-American-and-Caribbean-countries-approve-Quito-consensus/Page1.html>.

10 ECLAC, *What kind of State? What kind of equality?*, July 2010. Available from: <www.eclac.cl/publicaciones/xml/3/40123/What_kind_State_What_kind_equality.pdf>.

11 For more on this region see: Social Watch, "Latin America and the Caribbean: no solution to the crisis without gender policies," 2010. Available from: <www.socialwatch.org/node/11596>.

12 FEMNET, "The Africa Women's Regional Shadow Report on Beijing + 15," 10. Available from: <www.un-ngls.org/IMG/pdf_1272966511_196.200.26.62_Africa_NGO_Report-_Beijing_15_FINAL-ENG.pdf>.

UN Women born: can it meet the policy gap challenge?

Genoveva Tisheva and Barbara Adams

Women's organizations and groups worldwide celebrated the UN General Assembly resolution, adopted on 2 July 2010, to establish the UN Entity for Gender Equality and the Empowerment of Women, or UN Women. This new entity will be headed by an Under-Secretary General and will consolidate and combine into one the four existing gender-specific entities, increase operational capacity at the country level and have greater authority and resources to advance women's empowerment and advancement.

Particularly notable in the resolution are the paragraphs regarding the importance of civil society participation in the new entity. The new organization will expand its operational presence at the country level including engagement with women's groups and other civil society organizations invested in gender equality and the empowerment of women.

This resolution would not have happened without the strong advocacy and determined commitment of women's movements and other civil society organizations over the last four years, beginning with the adoption of the 2006 System-Wide Coherence Panel report on UN Reform, which included a recommendation to establish a new entity to increase the authority, resources and capacity of UN work on gender equality. Recognizing the need for a strong civil society effort to influence the shape of the new entity, many of these groups united in the Gender Equality Architecture Reform or GEAR Campaign. Charlotte Bunch, former Executive Director of the Center for Women's Global Leadership, a founding member of the GEAR Campaign stated: "We have high expectations for this new agency –the women's groups and other social justice, human rights and development organizations that played a pivotal role in this effort must now work to ensure that the new body has the human and financial resources necessary to succeed."

A lot depends on who the UN Secretary-General appoints to new Under-Secretary General position to head the new organization. There is general agreement that this person must combine the vision, experience and determination to not only expand the work of the UN entity for gender equality but to hold the other parts of the UN system accountable for advancing gender equality in all countries. This is particularly important in the current period, as both the international community and countries worldwide accelerate efforts to advance progress towards achieving the MDGs by 2015, while at the same time confronting the ongoing impact of the worse global financial and economic crisis in 40 years.

The first major challenge facing UN Women, therefore is whether it will adopt the traditional model of multilateralism where the decisions are made only by governments and the political process tends to water policy recommendations. This has failed to promote sustainable development to all countries or address the "policy gap" between macroeconomic policies and gender justice approaches. Gender equality advocates in CSOs, governments and UN agencies must start closing this gap, and the test for UN Women is whether it will provide the necessary vision and leadership.

The policy gap

The financial and economic crisis has challenged not only the resources for development but also the policies to make it inclusive and sustainable. As governments seek to reduce their budgets and their public expenditures in the face of the debt they have incurred to address the crisis, many of the areas in which these reductions will be felt are in the provision of social services, including education and health, which are essential for women's empowerment. This in turn threatens to reverse the gains in women's empowerment, not only because the services will become more limited and more expensive to access, but also because the cuts will increase the unpaid labour of women in making up for them through what is known as the "care economy," based on the incorrect assumption that women are by nature dedicated to care and that they have the time and capacity to provide it.

At the same time, it is these sectors in which women's employment is most concentrated, thereby adding to women's job losses, based on the assumption that if governments reduce spending on public services, and instead subsidize private sector initiatives, the private sector will step up provide them, thereby creating jobs for both men and women. This assumes not only sustained demand, despite the loss of household income and imposition of new fees, but also that the main source of household income is men's employment, while women's earnings are secondary. This at a time when the UN has affirmed – and the MDG targets reflect – that the key strategy with regard to reducing poverty is providing full, productive and decent employment, especially for women and youth. Policy responses to the economic crisis are in many cases perpetuating all of these outdated and discredited assumptions, thus disproportionately disadvantaging women and enhancing the policy gap.

This and other reports have stressed the need for developing countries' governments, which had no part in causing this crisis, to be allowed sufficient policy space to expand fiscal policy to respond to it, in order to promote employment and protect social spending. In response, international lending institutions, such as the IMF and World Bank, have indicated a greater willingness to support more flexible fiscal policies and continued social spending, at least in some cases. What is most urgently needed therefore, is concerted efforts by civil society, including women's organizations, to make sure governments take that space, in ways that protect the rights and promote the well-being of all sectors of their societies. This is the new direction that the new gender entity, UN Women, must inspire and lead.

The GEAR network of women's and civil society organizations and networks is contacting UN representatives at all levels to work with the transition process and assure the new Under-Secretary-General of their readiness to support the new entity to advance gender equality and women's empowerment. "We know that this is only the beginning," said Rachel Harris of the Women's Environment and Development Organization (WEDO). "We must continue to ensure that we are building a United Nations that really works for all women on the ground. This requires the active engagement of all stakeholders." ■

In the context of the global economic and financial crisis, the first people to lose jobs in the formal sector in Africa have been those at the lower levels, and the majority of these are women. Women still remain largely invisible in the formal economy, and women's unpaid labour continues to be unrecognized and increasing as they are forced to shoulder the social and economic impact of macroeconomic policies.

Feminist economists have repeatedly noted that gendered impacts of the global crisis have increased within a political context that impinges upon the time burdens of women and forces women to absorb additional care burdens as market-based services or public services become less accessible. This context also includes higher unemployment rates for women and/or an increase in women's marginalization into the informal sector, and potentially a worsening of their working conditions.[13]

The Arab region: economic empowerment for women

Contrary to the myth of a single homogenous "Muslim World," women's groups in the Arab region have been pushing for transformation from within their communities, fighting against conservative interpretations of Islam that deny gender equality and for gender justice at the local level. Despite the common culture, there is a marked difference among Arab countries in terms of implementing the Beijing Platform. This can be traced back to several factors, including the way in which different countries interpret religious texts in relation to women, which are reflected in the personal status laws and the responsibilities that they are allowed to exercise outside the boundaries of home and family.

Although all Arab States have signed and ratified the CEDAW, they have done so with so many reservations that the purpose of the convention is defeated. Other countries, such as Afghanistan, for example, have ratified the Convention but have never submitted a report to the CEDAW Committee.

Much has been said about the role religion plays in the region especially in terms of the advancement of women. The use of the word "fundamentalisms" to refer to conservative interpretations of Islam has long been debated by feminists in the region[14] and new initiatives are emerging that seek to reform Muslim Family Law from within.[15] Women's groups in the region acknowledge that a lack of political will – rather than religious tradition – is the main obstacle to increasing women's participation in positions of leadership.

In December 2009, a number of women's organizations held a regional consultation meeting in Cairo to evaluate the achievements and challenges faced in the Arab region since the adoption of the Beijing Platform. The regional meeting included 235 women's rights leaders and civil society representatives from 14 countries and concluded by outlining future priorities in the Arab region towards the fulfilment of the Beijing Platform.[16]

Although women's labour force participation has increased in this region, it is still very low compared to other regions, and there is a high level of economic dependency with all the social consequences this implies. Women are often employed in the informal sector, and when they own their own businesses, they usually do not actually manage them, having to leave this to a male family member. When they are in formal employment, they typically are paid less than their male colleagues, although few countries collect this data.[17]

The Arab region is by no means immune to the effects of the global economic crisis which resulted in economic slowdown and affected people's ability to exercise their human rights. Some women's rights advocates argue that the current crisis has given governments the chance to change their macroeconomic policies to facilitate greater investment in advancing gender equality. Others have questioned this strategy arguing that in Muslim contexts, policies and programs to support women's empowerment cannot be effective if their implementation is blocked by forces located between women and the State institutions – such as traditional and religious customs and practices.[18]

Asia Pacific: progress and pending issues

In October 2009 organizations and networks from the Asia Pacific region representing a broad section of women and girls gathered at the NGO Forum on Beijing +15 and reaffirmed the Beijing Platform as a strategic document for women and girls' empowerment, human rights, peace, human security and gender-inclusive development. The Forum also identified the concurrent crises in development, debt, climate change, food security, conflicts and finances, and increasing violence against women as having the most severe impact on the rights of women and girls across the region.[19]

The Forum also highlighted the ratification of the CEDAW in all but four countries – Brunei Darussalam, Nauru, Palau and Tonga – as a positive step. Additionally, several countries in the region such as Thailand, Cambodia and the Philippines in Southeast Asia; and India, Nepal and Bangladesh in South Asia now have National Action Plans to combat violence against women.[20] Laws and policies are being adopted to strengthen women's economic security and rights in such vital areas as decent work and access to credit and markets. Some countries adopted quotas or other affirmative measures to increase women's representation in political decision-making in a number of countries, such as Afghanistan, Indonesia and Timor Leste, while others took steps to improve health outcomes for women and girls and implement measures to reduce gender gaps in literacy and in primary and secondary education.

Despite these advances, the Forum recognized the enormous and complex challenges still facing women and girls in the region and the struggle to cope with recurrent crises. Participants were especially concerned about the impact of these crises on women's rights. Participants called for sub-regional economic integration and national development plans that rest on the principles and practices of ecological sustainability, food sovereignty, financial inclusion, universal social protection, economic solidarity and fair trade.

Conclusion

The needs of women and girls today go beyond advancing the Beijing Platform for Action and implementing CEDAW to include sustainable development planning that places human well-being at the core. Regional forums such as the Asia Pacific NGO Forum point out to the need for sub-regional economic integration and national development plans that rest on the principles and practices of ecological sustainability, food sovereignty, financial transparency, universal social protection, economic solidarity and fair trade.

This global recession is a perfect time to create a new model of development in which gender equality and social inclusion must be a key priority. It is necessary to rethink macroeconomic models based on keeping inflation low and deficits in check and recognize that a growing economy demands liveable wages and the contribution of all people to economic productively. This also requires the recognition that a productive economy depends on an extensive care economy in which the main workforce is female. The time has come for a new development paradigm with equal rights and equal opportunities for everyone. ■

13 Development Alternatives with Women for a New Era (DAWN), "Re-imagining Feminist Politics and Strategies in the Global South." Available from: <www.dawnnet.org/resources-news.php?id=92>.

14 For more on this see Anita Nayar, "Food for thought on 'fundamentalisms, in Social Watch, "The Arab region: 30 years of CEDAW," 2010. Available from: <www.socialwatch.org/node/11599>.

15 See Musawah–For equality in the family. Available from: <www.musawah.org>.

16 Regional Beijing+15 NGO Shadow Report Issued by Women's Rights Experts, El-Karama, 2010. Available from: <www.el-karama.org/content/regional-beijing15-ngo-shadow-report-issued-women%E2%80%99s-rights-experts>.

17 Mona Chemali Khalaf, *Women's control over economic resources and access to financial resources*, UN Economic and Social Commission for Western Asia (ESCWA), 31 August 2009. Available from: <www.escwa.un.org/information/publications/edit/upload/ecw-09-2-e.pdf>.

18 Vivienne Wee, Farida Shaheed et al., "Women empowering themselves: A framework that interrogates and transforms," *Women's Empowerment in Muslim Contexts*, 2008. Available from: <www.wemc.com.hk/web/rf/3_WEMC_Research_Framework.pdf>.

19 Final Declaration of the Asia Pacific NGO Forum on Beijing +15. Available from: <apww.isiswomen.org/index.php?option=com_content&view=article&id=65:final-declaration-of-the-asia-pacific-ngo-forum-on-beijing-15&catid=2:ap-ngo-forum-15&Itemid=25>.

20 Noeleen Heyzer, keynote address, Asia Pacific NGO Forum on Beijing +15, Manila, October 2009.

Global climate: the Copenhagen collapse

The 15th UN Climate Change Conference, held in Copenhagen in December 2009, failed to produce an equitable, legally binding agreement that either set targets of ambitious emission reduction, financing and technological support or detailed a path of green development to avoid dangerous climate change impacts. The Copenhagen Accord is neither a collective effort for combating climate crisis nor a comprehensive framework that requires the effective, transparent and responsible participation of all stakeholders – governments, civil society organizations and financial institutions – in an integrated manner.

Md Shamsuddoha
Equity and Justice Working Group Bangladesh[1]

The 15th Conference of the Parties (CoP15) of the United Nations Framework Convention on Climate Change (UNFCCC), held in Copenhagen in December 2009, did not result in the legally binding agreement required to achieve the goal of keeping the global average temperature rise below 2 degrees Celsius. The Parties' different interests divided the UNFCCC into two groups: Annex I (which includes 40 industrialized countries and transitional economies) and non-Annex I countries. The 26 so-called "representative group of leaders" – the majority of them from Annex I countries – only managed to develop an Accord through an un-transparent, top-down and very restrictive process.

The "bottom-up pledge and review" mechanism[2] of emission reduction under the Accord will not fulfill the reduction targets that the Intergovernmental Panel on Climate Change advises – 25-40% below the 1990 level. The pledges made so far under the Accord do not reflect the delegates' call for "ambitious" and "robust" mitigation commitments or actions. In fact, the adoption of a "non-binding" Accord is a diplomatic gain for developed and advanced developing countries.

Copenhagen: lost expectations

Since the Bali Action Plan was adopted at the 13th Conference of the Parties in December 2007, thousands of delegates have worked on the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA) and the Ad Hoc Working Group on Further Commitments for Annex I Parties Under the Kyoto Protocol (AWG-KP). Even in Copenhagen, despite having many differences, delegates worked hard to close as many gaps as possible and then put forward the most up-to-date documents arising from the two working groups to the final plenary.

Against this backdrop, there was a parallel attempt by the Danish presidency to impose a proposal from the "representative group of leaders." When the Danish Prime Minister, Lars Løkke Rasmussen, placed the Copenhagen Accord before the CoP and asked for its adoption, he was severely criticized for a top-down decision-making process that violated the UN charter and challenged the organization's traditional and historic customs of decision-making.

While the climate talks had so far been among the most transparent international negotiations, Copenhagen was very restrictive to civil society participants, even though they had valid accreditation and a mandate for participation throughout the process. In the final days civil society representation was reduced to only a few hundred. Although a few developing countries and least developed countries (LDCs) supported the Accord's adoption, many developing countries strongly condemned the process as "un-transparent" and "undemocratic" and were opposed to endorsing the Accord as a CoP decision.

Finally, during an informal negotiation facilitated by UN Secretary-General Ban Ki-Moon, the Parties agreed to adopt a CoP decision by which the CoP "takes note" of the Accord, which means that the meeting did not approve or pass it. The Accord can therefore not be termed a "collective effort" for combating climate crisis. Building a collective effort requires effective, transparent and responsible participation of all stakeholders – governments, civil society organizations and financial institutions – in an integrated manner, ensuring that all work fairly in the service of global prosperity, welfare and sustainability.

A robust mitigation target

Stabilizing greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference (DAI)[3] with the climate system is the ultimate objective of the UNFCCC. On the basis of scientific predictions, it is generally agreed that the increase in temperature needs to be below 2 degree Celsius.[4] The developing world has called on industrialized countries to commit to 40-45% cuts in emissions by 2020 compared to the 1990 benchmark.[5]

In the discussions all Parties asked for a "robust" and "ambitious" emission reduction, although what exactly these words meant remained vague. Likewise, the Accord did not mention any quantitative figures of emission reduction that the developed countries would undertake after 2012, either as an integrated target or as individual country targets. Although the overwhelming majority of countries associated with the Accord reaffirmed that climate change is the greatest current global challenge, it sets no mandatory or binding emission targets.

More than 120 countries – contributing more than four fifths of global GHG emissions – have opted to endorse the Accord, and many have submitted a notification of their voluntary emission reduction via the "pledge and review" process. However, although pledges are subject to international scrutiny, there is no mechanism in place to make ensure that actions are taken to achieve the target. Furthermore, even if the current pledges are honoured in full, the global mean temperature may increase by 3 degrees or more by the end of the century.[6]

Undermining the spirit of the Convention

The UNFCCC provides a strong foundation for an inclusive, fair and effective international climate change regime that effectively addresses the imperative to stabilize the climate system while recognizing the right of countries to develop in order to address poverty and food security. The Convention is based on the principle of equity where developed countries, who are most responsible for the climate change problem, need to "take the lead," as well as the principle of common but differentiated responsibilities for all countries. Thus, the adoption of a non-binding accord is a diplomatic gain for developed and advanced developing countries.

1 This paper does not express the position of any country, party or group.

2 This mechanism calls for a dynamic form of international cooperation, where countries should be enabled to make renewed pledges for emission reduction on a continuous basis.

3 To define DAI "one must take into account issues that are not only scientific, but (…) economic, political, and even ethical in nature." See Michael E Mann, "Defining dangerous anthropogenic interference," Proceedings of the National Academy of Sciences of the United States of America. Available from: <www.pnas.org/content/106/11/4065.full>.

4 UNFCCC, "Report of the Conference of the Parties on its fifteenth Session, held in Copenhagen from 7 to 9 December 2009, Addendum. Part Two: Action Taken by the Conference of the Parties at its fifteenth Session," FCCC/CP/2009/11/Add.1, 30 March 2010, 5. Available from: <unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>.

5 The Kyoto Protocol set 1990 as the benchmark year against which agreed emissions reductions were to be measured. However the 2007 Fourth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC) calculated emissions reductions targets against 2000 as the benchmark year.

6 Wolfgang Sterk et. al., "Something Was Rotten in the State of Denmark – Cop-Out in Copenhagen," Wuppertal Institute for Climate, Environment and Energy, April 2010. Available from: <www.wupperinst.org/uploads/tx_wibeitrag/COP15-report.pdf>.

The attempt by developed countries to strengthen and expand the "pledge and review" model under the guise of the Copenhagen Accord would have allowed them to evade their responsibility and the carbon debt that they owe to developing countries for their historic and excessive use of the Earth's atmospheric space. This over-consumption has resulted in an adaptation debt, as developing countries have suffered – and continue to suffer – the worst impacts of climate change, and also an emissions debt. Therefore, developed countries must undertake ambitious domestic emission reductions in order to allow developing countries to increase their own to meet their sustainable development needs.

Financing adaptation: enormous clouds but little rain

The broader strategies for combating climate change (e.g., mitigation, adaptation and support to existing development and growth) are interlinked and are a real challenge to developing countries, which will require new, additional and incremental financial resources for their implementation.

Adaptation financing – financing the adaptation of developing countries to climate change – is required to build their social and economic capacity to absorb current and future shocks. These include: climate proofing[7] development, economic growth, official development assistance (ODA) and existing infrastructure; additional investments for new infrastructure; costs of community level and community-based adaptation; capacity building; restoration of eco-system services; addressing mass displacement; and mainstreaming adaptation into poverty reduction strategies and other relevant government policies and programs. Thus the amount of adaptation finance is a critical concern to the LDCs, Small Island Developing States (SIDS)[8] and African countries that are likely to be the most affected by the impacts of climate change.

Several studies have estimated the amount of finances required for adaptation. Oxfam estimated more than USD 50 billion,[9] UNDP USD 86 billion[10] and UNFCCC USD 28-67 billion[11] per year. Another report on financial flows produced by the UNFCCC Secretariat put the financial resources needed by 2030 at USD 130 billion for mitigation activities and several hundreds of billions for adaptation in developing countries alone. Against these different estimations, mostly based on various "top-down" methodologies, developing countries asked for 1-1.5% of developed countries' Gross Domestic Product (GDP) in addition to their existing ODA commitment. China has suggested that developed countries should commit 0.5% of GDP for such climate change payments in addition to the 0.7% Monterrey Consensus[12] ODA target (i.e., USD 260 billion in 2007).[13]

Given this context, the Copenhagen Accord foresees USD 30 billion of "new and additional resources" for the period 2010-2012 as the collective commitment by developed countries '"with balanced allocation between adaptation and mitigation."[14] Although LDCs and SIDS, as well as Africa in general, will have preferential access to the adaptation fund, the present commitment is insignificant. Furthermore, there is no indication of the amount of adaptation financing beyond 2012. Long-term funding projection for adaptation actions in the most vulnerable countries is ignored in the Copenhagen Accord.

The reality is bleak: while developed countries showed common and indifferent interest in solving their financial crisis resulting from market failure, they have been reluctant to show such interest in solving the climate crisis for which they are responsible. Yet, in comparison with the USD 20 trillion of direct bailouts and no-strings guarantees offered by developed country governments to the private sector during the crisis, the amount needed to address climate change is relatively modest.[15]

Legitimizing the neo-colonial instrument

Whatever the amount, the ideology of climate financing is of critical concern to developing countries. In the concluding plenary of CoP 15 many of Western delegates wanted to link the funds they were offering to developing countries as a pre-condition for accepting the Accord – something that developing countries' delegates termed "offering a bribe". Ed Miliband, Minister for Energy and Climate in the UK, very specifically said that unless delegates accepted the Accord, "we will not operationalize the fund."[16] The delegate from the US also spoke in a similar vein.

This attempted linkage of finances to the acceptance of the Accord is not in line with the funding notion of the UNFCCC under which developed countries committed themselves. Moreover, some have pointed to ODA once again as the most likely source of funds – despite the fact that donor countries have completely failed to meet even existing ODA commitments over the last 30 years. At present, all international adaptation funding instruments – with the exception of the recently operational Kyoto Protocol Adaptation Fund – are replenished through ODA-type bilateral donations, mostly through the existing financial architecture.

There has been a long battle between developed and developing countries in setting the financial architecture for adaptation and mitigation financing. Developed countries have wanted the existing financial architecture, the Global Environment Facility (GEF), to manage the fund while developing countries demanded a different institution since they consider the GEF funding model as difficult to access. This issue was resolved by the consensual establishment of an independent Adaptation Fund Board, whose members are selected by – and are under the direct authority of – the Convention's Parties.

Given the patterns of differentiated historic responsibilities, the costs of adaptation are seen as debts to be borne by the largely responsible industrialized world. Debts cannot be repaid by loans or even by grants – this notion is beyond the so-called "donor-recipient" or "patron-client" relationship. Additionally funding is given to the countries already eligible for concessional loans from Multilateral Development Banks (MDBs), meaning that the participating country has to be in compliance with the loan conditionalities determined by the MDBs. These institutions lack the credibility to manage such funds because of their poor record on social and environmental protection, lack of democratic governance or commitment to transparency and accountability, and significant current and past lending for fossil fuels.[17] The MDBs are neo-colonial instruments; legitimizing them as the operating entity for climate finance is nothing but a remodelling of developed countries' aid politics.

Killing Kyoto

Following the frustrating outcome of the Copenhagen Conference, new polarization on climate diplomacy has emerged. The Accord also does not bring much clarity on how the negotiation process will move forward.

As for the Bali Action Plan, adopted at CoP 13 in December 2007, the negotiation are proceeding under two tracks: the AWG-LCA, which is negotiating the enhancement of actions to ensure full, effective and sustained implementation of the Convention; and the AWG-KP, which is tasked with setting the reduction targets for the post-2012 commitment period at a time when scientific evidence demands deep cuts in the range of at least 25-40% by 2020. Only the Kyoto Protocol provides a commitment period from 2008–2012 and sets legally binding collective and individual targets for Annex I Parties,

7 "Climate proofing" is a shorthand term for identifying risks to a development project, or any other specified natural or human asset, as a consequence of climate variability and change, and ensuring that those risks are reduced to acceptable levels.

8 There are 52 SIDS – both UN and non-UN member states – out of which 10 are LDCs.

9 Oxfam, "Adapting to climate change: what's needed in poor countries, and who should pay," *Oxfam Briefing Paper* 104, 2007. Available from: <www.oxfam.org.uk/resources/policy/climate_change/downloads/bp104_adapting_to_climate_change.pdf>.

10 UNDP, *Human Development Report 2007/2008: Fighting climate change. Human solidarity in a divided world*,New York, 2007). Available from: <hdr.undp.org/en/reports/global/hdr2007-2008/>.

11 UNFCCC, "Investment and financial flows to address climate change," background paper, 2007. Available from: <unfccc.int/files/cooperation_and_support/financial_mechanism/application/pdf/background_paper.pdf>.

12 Adopted during the International Conference on Financing for Development held in Monterrey, Mexico, 18–22 March 2002.

13 Based on the fact that 2007 OECD/DAC's ODA of USD 104 billion amounted to 0.28% of DAC Gross National Income (GNI). Source: OECD (2008).

14 UNFCCC, "Report of the Conference of the Parties on its Fifteenth Session," *op. cit.*

15 Antonio Tricarico, "If Keynes could sit at the climate negotiations table... Proposal for an 'International Climate Union' and a SDR-based 'Global Climate Fund'," *CBRM Discussion Note* 1, 2010.

16 Reuters, "U.S.-led climate deal under threat in Copenhagen," 19 December 2009. Available from: <www.ecoseed.org/en/general-green-news/copenhagen-conference-2009/copenhagen-leading-stories/5655-U-S-led-climate-deal-under-threat-in-Copenhagen>.

17 ActionAid, "Cereal Offenders," Policy Briefing, July 2008. Available from: <www.actionaid.org/docs/cereal%20 ofenderspdf5cjapan_g8.pdf>.

varying from country to country, in order to reduce GHG emissions.

Almost all the developed countries – including Australia, Japan and the EU – raised their united voices to dismantle the Kyoto Protocol, collapsing the two tracks into one and producing one single legal outcome through ensuring inclusion of the advanced developing countries. The US, for example, neither intends to ratify the Protocol nor accepts a legally binding agreement; it prefers instead a bottom-up kind of "implementing agreement." Through a set of clear decisions under the UNFCCC, this would formalize and strengthen the existing provisions of the Climate Change Convention for voluntary, non-binding and economy-wide emission commitments to reduce GHG and report on emissions. This "pledge and review" approach is in plain contradiction of the Kyoto Protocol and leaves countries with leeway on what kind of targets to adopt and how to meet them. While the Kyoto's approach specifies targets for a specific period and assessments on whether those targets have been reached, the process called for in the Copenhagen Accord resembles the negotiations in the context of the World Trade Organization (WTO), where every few years countries make new pledges to reduce their trade barriers.[18]

The Kyoto protocol, which created a global coalition between politicians, experts, bureaucrats, civil society organizations and people across the world, outlined an integrated approach to face the challenges of climate change. Now, the approach of "cherry picking" the preferable options by developed countries is reminiscent of the words of the Bush administration that "Kyoto is dead."[19] At the time, this statement was widely denounced in countries around the world; now these countries need to work to keep the Kyoto Protocol functioning towards its next phase.

A way forward to Cancun

At CoP 15 in Copenhagen, as at CoP 13 in Bali, the country Parties negotiated through three major blocs: (a) the European Union, (b) the US, supported by Canada and Japan and (c) the G77 and China. Among these, the last is the major one with 132 countries including developing countries, LDCs and AOSIS. It is the platform of almost all the non-Annex I countries that are historically not responsible for the present climate crisis but, given the disparity in economic comparability and GDP growth, it is also the most heterogeneous group and is mostly driven by the interests of the advanced developing countries (China, Brazil, India and South Africa).

These three blocs led to "triangular climate diplomacy." For example, the EU took its stance to produce a single legal outcome and attempted to push primarily the US, but also the advanced developing countries, into accepting binding commitments. On the other hand, as mentioned above, the US pushed for an "implementing agreement." For their part, the advanced developing countries stressed the historical responsibility of all the industrialized countries, including the US, and urged them to lead in combating climate change as they have committed to in Article 3.1 of the UNFCCC.

Significant divisions also took place among other members of the G77 and China group; the SIDS and LDCs demanded Long-term Cooperative Action negotiations on a protocol that would function alongside the Kyoto Protocol. This group also demanded preferential allocation of adaptation finance, which the other advanced developing countries did not support. Unlike in global geo-politics, the positions of US and China appear to converge in global climate diplomacy since both countries prioritize their national rather than the global interest.

The emerging multi-polarity in the global climate diplomacy translates into a number of key actors able to block substantial progress in the future negotiation leading to the 16th CoP to be held in November 2010 in Cancun (Mexico). Without a complementary policy position among the advanced developing and developed countries, including the US, positive outcomes and breakthroughs in climate policy are unlikely. Besides, the division of UNFCCC parties into two groups – Annex I and non-Annex I countries – is no longer appropriate, given the complexity of global climate policy. Even though many developing countries and emerging economies insist that this dichotomy must be maintained, some differentiation within the group of non-Annex I countries is needed in order to speed-up the negotiation process.

Conclusion

A recent analysis of the Copenhagen outcomes[20] by UNDP notes that the conference fell short of a comprehensive agreement on a future framework on climate change. However if Parties were to use the Copenhagen Accord as an overarching political guidance on the core issues, the technical negotiations under the AWG–KP and AWG LCA could be significantly advanced and the texts finalized more quickly, while taking into account the concerns of those countries that did not agree to the Accord.

Meanwhile, the first meeting of country Parties since the Copenhagen Conference extends the mandate of the two ad hoc working groups – the AWG-LCA and the AWG-KP. In fact, there are significant merits for such a two-track approach since much of the required institutional framework already exists. If this approach is not taken, then the progress that has already been achieved in the negotiation process will be jeopardized. ■

Climate funding and the MDGs

Ian Percy

The USD 30 billion in "new and additional" funding championed in the Copenhagen Accord is far from assured. The amount may reflect UN priorities and a commitment to climate change mitigation and adaptation, but the historical trend is not encouraging. Developed country donors are not on track to meet the target of 0.7% of Gross National Income (GNI) to be provided by 2015 for ODA; already there are reports from Finnish civil society, for example, that climate funding is being drawn from its development budget.[1] The situation is similar in most countries that have made the pledge. In addition Better Aid reports the projection that aid receipts are to lose over USD 2 billion once climate funds to middle-income countries begin to erode the aid budget.[2]

The Millennium Development Goals (MDGs) will not be met, and development is lagging behind other stated goals in many areas of the world. A lack of development funding is often cited as a reason for slow progress on meeting targets. Based on current trends it is easy to imagine a severe drop in ODA reserved for non-climate activities. Political leaders, especially in the Organization for Economic Co-operation and Development (OECD), are under increasing pressure to show results for the aid they provide. There is a real danger that less quantitative development goals could be forgotten in favour of verifiable climate change mitigation and adaptation strategies.

In order to ensure that donors and developing countries do not lose sight of development commitments, baselines for climate funding must be established at the 16th Conference of the Parties in Cancun. Without verifiable and succinct qualifications for "new and additional" funds, there is a danger that education and other development priorities could end up playing second fiddle to wind farms and biomass projects. ■

1 Better Aid. Available from: <www.betteraid.org/index.php?option=com_content&view=section&id=110&Itemid=60&lang=en>.

2 *Ibid.*

18 Harro van Asselt, "Copenhagen chaos? Post-2012 climate change policy and international law," *Amsterdam Law Forum*, 2(2), 2010. Available from: <ojs.ubvu.vu.nl/alf/article/viewArticle/123/228>.

19 Dick Thompson, "Why U.S. Environmentalists Pin Hopes on Europe," *Time*, 26 March 2001. Available from: <www.time.com/time/world/article/0,8599,103985,00.html>.

20 Alina Averchenkova, "The Outcomes of Copenhagen: The Negotiations and the Accord," UNDP Environment and Energy Group Climate Policy Series, February 2010. Available from: <www.preventionweb.net/files/13330_UNDPBRMCopenhagenfinalweb.pdf>.

Critical shareholding: how to use a financial leverage to promote human rights and the environment

In several countries, civil society organizations and networks have started to buy a few shares of companies accused of having negative social and environmental impacts, namely in their investments in the global South, in order to actively participate in the life of the firm. This is a new form of advocacy, and a new campaigning tool: critical shareholding. The targeted companies are criticized for their poor democratic governance and controversial sustainability record and performance. If the financial actors and managers still want to invest in unsustainable companies, violating human rights and harming the environment playing in a casino economy, let's make clear that we don't want to be their accomplices and prevent them from playing with our chips.

Andrea Baranes
Campagna per la Riforma della Banca Mondiale (CRBM)
Mauro Meggiolaro
Fondazione Culturale Responsabilità Etica

The "Pioneer Fund," created in Boston in 1928 is usually considered the first case of an institutional investor looking at non-economic parameters in its investment strategies. The fund encouraged investment in accord with religious belief, excluding the "sin shares" of companies operating in sectors such as tobacco, gambling or arms.

A new idea of ethical finance emerged in the late 1960s in the US, when civil rights and later anti-war protests began to explode. In 1968, students at Cornell University demanded that the board divest in shares of companies involved in trade with South Africa. The "Pax World Fund" was created a few years later, excluding companies involved in the Vietnam war.

The rationale for excluding some investments was therefore broadened, and started to include social considerations. More importantly, beginning in the late 1960s, not only some specific sectors, such as armaments or gambling, were excluded, but so too were individual companies and banks involved in such activities. Later, some new criteria started to be taken into account, namely, the companies' human rights and environmental records. This turned out to be a powerful way to boycott companies doing business with racist regimes (e.g., South Africa under Apartheid) or dictatorships (e.g., Chile under Pinochet).

Boycotting versus participating

Historically, these first cases were extremely important in highlighting the role that shareholders can play in influencing the behaviour of a company. Several cases of disinvestment in and of boycotting specific companies, countries or sectors achieved impressive results. It is widely recognized, for instance, that the massive campaign against companies maintaining economic and trading relations with the Apartheid regime in South Africa played at least some role in propelling the change to a modern, democratic system.

However, divesting in company shares means cutting all relations with the company, together with the chance to try to influence its behaviour. By contrast, being a shareholder means owning a part, however small, of the company, thus maintaining a relationship and actively participating in the life of the company to try and shift its overall social record.

The role of financial markets

This idea is becoming more and more important in the context of modern financial markets. The scope and role of finance have grown enormously in the last years, as seen in the so called "financialization" of the global economy. Apart from a few exceptions, the majority of the shares of the companies listed on today´s stock exchanges are owned by investment funds, pension funds and other institutional investors. Accordingly, to meet the demands and expectations of these institutions, the daily value of the company´s shares becomes the main objective for its managers, steadily replacing the long-term goal of sustainable development. The stock options and other bonuses for top management have dramatically increased this trend.

More broadly, "shareholders interest" is rapidly replacing "stakeholders interest." Some of the worst consequences of modern finance, including excessive volatility and speculation, may be at least partially linked to this shift. At the same time, the huge power of the financial world could be used to challenge the social and environmental behaviour of individual companies.

The principles of critical shareholding

In several countries, civil society organizations and networks have started a new form of advocacy, and a new campaigning tool: "critical shareholding." The idea is quite simple: buy a few shares of companies accused of having negative social and environmental impacts, particularly with regard to their investments in the global South, in order to actively participate in the life of the firm. In general, companies are targeted for their negative environmental, social and human rights records, their questionable impact on local and national development processes, their lack of transparency, weak democratic governance, and for their overall lack of accountability.

The goal of critical shareholding is at least three-fold:

First, it provides an opportunity to bring the voice of Southern communities and international civil society organizations directly to the company boards and shareholders. Too many projects carried out by Northern transnational corporations badly impact on the life and the fundamental rights of local groups in the global South. The latter have no chance to make their voice heard in the country where the mother company is based. The critical shareholding initiative may therefore be an effective tool to try to bring this voice directly to the board, the managers and the shareholders of the company. From a campaigning point of view, given the prominent role of the financial markets and the share values, acting directly as a shareholder will gain greater company attention. This is all the more true for the top managers, whose annual income depends more and more on stock options and other bonuses directly linked to the company´s stock market performance. This kind of engagement may therefore serve to highlight the social and environmental performance of the company in order to reduce its broader negative development impacts and to foster a more active dialogue between the company and all of its stakeholders.

Secondly, with regard to the general financial culture, critical shareholding is an instrument of "economic democracy," increasing the knowledge and the participation of small shareholders and of the general public in financial matters. Being a shareholder doesn't merely mean looking for the highest profits and dividends in the shortest time. The current crisis has shown the threats of a financial system based upon the short-term maximization of profits. Being a shareholder implies rights as well as duties, namely to actively participate in the life of the company; this is regarded as central in any development process both in the North and the South, given the prominent role of the private sector in most societies.

Finally, from the investors' point of view, critical shareholding increases the representation of the small shareholders in the life of the company. A 2009 OECD report points out that one of the main reasons for the crisis was the poor corporate governance schemes of many companies.[1] The same OECD report pledges to increase the participation of the small shareholders in the life and the decisions of the companies. Critical shareholding goes precisely

1 Kirkpatrick, Grant, *The corporate governance lessons from the financial crisis.* OECD, 2009. Available from: <www.oecd.org/dataoecd/32/1/42229620.pdf>.

in this direction and may contribute to increase democratization and accountability of private sector operations.

International networks and initial results

In several European countries, as well as in the US, active shareholder engagement has become a widespread practice. The interventions and proposals of small active shareholders helped in many cases to improve companies´ environmental and social responsibility, governance and accountability, and long term sustainability. This strategy has already been used in campaigns targeting Northern corporation responsibility in solidarity with affected communities in the global South in order to promote their right to development.

The pioneer in shareholder engagement practices is certainly the Interfaith Center on Corporate Responsibility (ICCR) based in New York.[2] As a coalition of 275 religious orders, Catholic, Evangelic and Jewish, ICCR engages US companies it invests in, filing and voting resolutions at the companies Annual General Meetings (AGM) and meeting the companies' directors and managers. The first of such resolutions was submitted in the early 1970s, asking companies such as General Motors to withdraw their financial and commercial support from Apartheid South Africa. ICCR South Africa resolutions, presented by the Episcopal Church, never got more than 20% of shareholders votes, but indeed helped influence public opinion and put Apartheid under the spotlight of financial markets. In the years before the end of Apartheid (1994), the direct investments of US companies in South Africa declined by 50% and, as Timothy Smith – one of the first executive directors of ICCR – put it: "Without responsible shareholding initiatives the fight against Apartheid would have been far less effective."

The ICCR mission statement declares: "We believe that investments should offer something more than an acceptable financial return.... Instead of selling the shares of companies that acts against environmental, human rights or governance rule, we prefer to act as shareholders and press for change." As of 2010 it has submitted more than 200 different resolutions at AGMs of US companies on issues such as excessive executive compensation, toxic chemicals in products, animal testing, weaponization of space or foreign military sales. Many resolutions have been withdrawn before the AGMs, because the companies have agreed to negotiate with ICCR members. The percentage of shareholders that voted for ICCR resolutions varies from the nearly 40% of derivatives resolutions submitted at Bank of America, Citigroup and Goldman Sachs' AGMs, asking for more transparency in the trade in financial derivatives, to the record 97.9% of HIV/AIDS resolutions submitted at Coca Cola's AGM in 2004, asking the multinational to disclose a report on the potential financial impacts of HIV/AIDS and other pandemics on the company's balance sheet and business strategies in developing countries. After the resolution, which was meant to make Coca Cola aware of the HIV/AIDS emergency in East Asia and Africa, the company has started publishing a detailed report, as required by the active shareholders, investing in prevention and health care for its employees in poor countries.

Similar ICCR resolutions have convinced the US clothing giant The Gap, to disclose the full list of its subcontractors in developing countries as well as an assessment of social and environmental risks for each of them.

But not only religious investors are putting the companies under the spotlight in shareholders meetings. In the last 10 years also the big pension funds have started to raise their voice. In the US the most known is Calpers (Californian Public Employees Retirement System). Calpers, with 1.4 million members and nearly 200 billion dollars under management, have started to use its investment shares as a way to engage US corporations. Calpers' campaigns, aimed mainly at condemning bad governance practices (e.g., excessive executive compensation), have obtained a broad and unexpected success, so that Sean Harrigan, Calpers' chairman until 2004, had to resign due to mounting pressure from US multinationals. On September 2006, California Governor Arnold Schwarzenegger, supporting the Sudan Divestment Task Force, adopted a targeted divestment policy from companies that operate in South Sudan (where the Darfur civil war continues) for the California Public Employees Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) and decided to indemnify the boards of both funds for this action.

Besides Calpers and Calstrs, many other public employee pension funds have started putting pressure on US companies in their AGMs, including the New York State Common Retirement Fund, the Connecticut Retirement and Trust Plans of the New York City Comptroller's Office. "In the last years," according to a survey by the US Social Investment Forum, "these funds have submitted tens of social resolutions based on ILO (International Labour Organization) Conventions, on climate change issues or equal opportunities."

In Canada the attention of pension funds for social and environmental issues is stimulated by Batîrente, the Quebec-based pension funds of Caisse d'économie Desjardins (a bank created and entirely controlled by trade unions).[3] Batîrente manages about EUR 350 million, has more than 20,000 members and selects the shares it invests in according to ESG (environmental, social and governance) criteria. "In the beginning we have supported resolutions submitted by other funds or organizations", says Daniel Simard, Batîrente's coordinator. "But in the last few years we have started presenting our own resolutions." Together with Oxfam, Batîrente has convinced Metro, a retailer in which the fund invests, to sell fair trade coffee, while it has asked Sears, another retailer, to publish a social report according to GRI (Global Reporting Initiative) guidelines.

With the exception of Great Britain, where some financial institutions such as the Co-operative Bank, Hermes or F&C Asset Management have been pioneering shareholder engagement, in Europe this practice is still marginal and rarely hits the headlines. In the continent of familial and banking capitalism, stock exchanges have never played an important role. And, as a consequence, activists have preferred other ways of pressuring companies. But something is changing also in continental Europe. The most interesting news comes from Switzerland. Its name is Ethos. Born in 1997 by the initiative of two public pension funds, Ethos Foundation for sustainable investment, manages today EUR 500 million on behalf of some 90 public pension funds in Switzerland. Ethos is delegated by pension funds to exercise voting rights (connected to the shares the funds invest in) at Swiss companies AGMs. Excessive manager remuneration, directors' reputation and mismanagement, and scarce transparency when dealing with "toxic" financial products are the main issues that Ethos presents. Most of the targets are financial or pharmaceutical corporations, like UBS or Roche. In some cases Ethos' proposals are backed also by other investors or by common shareholders and are able to get more than 50% of shareholder votes, as it happened this year in the UBS Annual General Meeting, where the Board proposed to discharge former UBS board members of their responsibility for the company's financial collapse. Ethos voted against, and with it the majority of shareholders, who are now thinking of suing the company for mismanagement and financial damage to its customers. Ethos votes in more than 100 Swiss company AGMs each year. For non-Swiss companies it delegates international partners belonging to ECGS (European Corporate Governance Service).

In some cases, shareholder engagement is associated with traditional campaigning strategies. In March 2010, a coalition of UK trade unions, NGOs and investors attempted to get thousands of pension scheme members to join an e-mail bombing campaign aiming at forcing oil giants BP and Royal Dutch Shell to reconsider investments in environmentally controversial oil sands developments in the Alberta province of Canada. The coalition included UNISON, the UK and Europe's biggest public sector union with

2 For further information see: <www.iccr.org>.

3 See: <www.batirente.qc.ca>.

more than 1.3 million members and the Public and Commercial Services Union (PCS), the fifth largest trade union in the UK. In what they said was an "unprecedented public mobilization," the coalition has asked savers to e-mail their own pension fund manager to push them to support shareholder resolutions against oil sands projects that were due to be voted on at the BP and Shell AGMs in May. Other coalition members included Greenpeace, World Wildlife Foundation and the Co-operative banking group. Over 140 pension schemes, fund managers and private investors joined forces with FairPensions, a London-based lobby group, to file a shareholder resolution at Shell's AGM on May 18.

In Italy, the Fondazione Culturale Responsabilità Etica (FCRE), controlled by ethical-ecological bank Banca Etica, has also decided to combine traditional NGO campaigning tools with a new form of engagement through investment in big companies.[4] Back in 2008, FCRE bought some shares of Italian oil and utility companies (Eni and Enel, respectively), in order to take part in their Annual General Meetings, giving voice to environmental and social NGOs, such as Greenpeace Italy and CRBM, based in Italy and developing countries. In the last three years, the Foundation has challenged the social and environmental record of both companies, backed by a number of associations in Nigeria, Chile, Congo-Brazaville, Kazakhstan and other countries where Eni and Enel are involved, along with their subsidiary operations in countries listed as tax havens.

Critical shareholding as a campaigning tool

While several results have been achieved through the active participation of small shareholders, some critical aspects shall not be underestimated. Firstly, it must not be acknowledged that the dialogue with a company has to pass only through the ownership of shares. This assumption would precisely reinforce the idea that shareholders are gaining more and more weight with respect to the other stakeholders. Being an investor may grant some rights, but in no way should substitute the other channels of dialogue and of putting pressure on a company. This is all the more true if the dialogue or the confrontation with the company deals with something as fundamental as human rights.

Quite the opposite, critical shareholding must be considered as one tool among a range of different instruments that have to be put in place in a campaign, and it should come together and reinforce other campaigning tools.

Moreover, the small shareholders shouldn't expect impressive results and shifts in the companies' behaviour, just after participating in a few AGMs. Critical shareholding is an instrument that may bring results in the long run, insisting year after year in a difficult dialogue with the company and the other investors.

Another major criticality is the difficulty of raising correct information regarding specific companies or projects. This is all the more true given the flow of information that has to be faced. The biggest share of information on the company is delivered to the investors and the specialized media usually from the company itself.

Almost all the companies listed on the stock markets have developed strong CSR policies in order to show their correct behaviour, and often to picture themselves as "green" or "sustainable". Moreover, the great and growing role of the firms specialized in rating the companies after their social and environmental record should not be underestimated. Being included in some indexes, such as the Dow Jones Sustainability Index or the FTSE for good is often publicized as a major argument for "demonstrating" the commitment towards sustainability. In fact, even though several of these index and rating companies have been criticized for not providing a serious screening among the companies, and for not investigating deeply into the overall behaviour, they represent a major source of information for the financial community.

To overcome this flow of information, the activities should therefore be carried on in close cooperation with the affected communities. More broadly, a serious research work is needed in order to obtain results.

Conclusions

Most companies listed on the stock exchanges are owned by a multiplicity of shareholders: institutional investors, investment funds, pension funds and retail shareholders. This extreme fragmentation, among other things, gives enormous power to financial groups holding just a small percentage of different companies. A related problem has to do with the excessive power in the hands of the top managers with respect to shareholders. On the other hand, this same multiplicity of small shareholders opens up new opportunities. In the last few years, millions of women and men worldwide have started to shift towards more responsible consumption. More and more, people are aware that they have the power to "vote through the supermarket basket." We can choose the products of some companies and not others, depending on their behaviour. The fair trade movement has shown how important critical consumption has become. This is a major cultural change, one that began some decades ago and is still taking place.

A similar cultural shift must now take place regarding our money and investments. How many people would lend money to someone asking it to finance an anti-personnel weapon or cluster bombs business? How many people would lend their money to someone intending to bet it in a casino? On the other hand, how many of us ask our banks, pension or investment funds how our money is used? In a few words, our money, channeled through financial investments has a huge power and can heavily influence, both positively and negatively, the social and environmental record of both companies and banks.

A strong alliance is needed to take control of this power. Responsible investors have the technical capacity to engage in critical shareholding. NGOs have the knowledge and the relationships with the communities impacted by the investments of the transnational corporations. The media have the chance to inform small investors and workers about the use they could make of their savings. Potentially, a huge amount of people and capital could be mobilized for critical shareholding activities, thus leading to concrete changes in the behaviour of the biggest companies in the world.

Active shareholding has already produced some results in several cases, and has led to better company governance and more participation from small shareholders. At the same time, more involvement and coordination from civil society, socially responsible investors and small shareholders is needed in order to bring about concrete improvements in companies´ social and environmental record in the medium term.

Finally, but most importantly, critical shareholding is not only about improving the social and environmental record of the listed companies. Promoting an "economic democracy" means much more. The recent financial crisis has proved that our savings were put at risk in a casino economy. We have to take back control of our money and our investments. Through critical shareholding, the financial culture of the small investors may be increased. It is not just a matter of improving the behaviour of a company. A new financial culture is needed.

To summarize the impact of the financial crisis: first, our money was not used to promote a better economy; second, it was put at risk; third, investment in the financial casino contributed to bursting the bubble and precipitating the financial crisis; fourth, the crisis has had huge impacts on peoples lives all over the world; fifth, huge bailouts have been made to save the financial system that caused the crisis. Ultimately, these bailouts will be paid by our tax money.

Enough is enough. If the financial actors and managers want to continue to invest in unsustainable companies, violating human rights and harming the environment, if they still use our money to play in a casino economy, let's raise our voice and make clear that we don't want to be their accomplices and prevent them from playing with our chips. ■

4 See: <www.fcre.it>.

Privatizing European development finance: the role of the European Investment Bank

EU development finance architecture needs to be revamped in light of the significant changes that have taken place over the last few years due to the global crisis. Civil society organizations are raising concerns about the fundamental ambiguity surrounding the status of public banks such as the European Investment Bank (EIB), which is clearly not a regional development bank even though it pretends to finance development through friendly investment operations. There is a risk that the debate on rethinking European aid and the wider role of development financing could be influenced by approaches promoting a corporate-driven agenda.

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European development finance is at a crossroads. The impact of the financial and economic crises on public finance in most EU member states is reversing the trend seen in the last decade of increased Official Development Assistance (ODA).[1] Although European governments remain major donors, providing more than half of global ODA, it is increasingly clear that the EU as a whole will not reach its 2015 targets. At the same time, efforts to increase aid quality and effectiveness, strongly supported by European donors in international forums, are at risk.[2]

In this negative context, a new and opportunistic narrative has been emerging in official circles in Brussels and in other European capitals that a more "holistic" approach to international development cooperation and development finance is needed. It aims to widen the definition of development finance to include commercial and investment activities and prioritize private sector intervention as an engine of economic growth and possibly development at large.

At first such an approach might look like a reworking of a Washington Consensus-style "trickle down effect." However, despite the ideological bias in favour of private markets, a new vision and strategy dealing with public and private partnership and reciprocal roles is being developed. This sees development finance as not simply an instrument for pushing macroeconomic policy reform in the global South – as has happened in the last decades – but increasingly as a public lever to move private capital. In the context of economic crisis and the renewed importance assigned by the G20 to development finance and international financial institutions as key instruments of international public finance, this approach has also become instrumental in supporting European business worldwide at a time when private capital markets have dried up.

Thus European development finance risks becoming part of a long-term bail out plan benefiting European business – framed by someone as "corporate welfare" – instead of helping the poor in the global South who had no responsibility for creating the crisis but suffered the most from its impacts.

The involvement of the private sector

Financing to the private sector by multilateral development banks[3] (MDBs) has increased ten-fold since 1990, from less than USD 4 billion to more than USD 40 billion per year. Private sector finance is now a major part of the overall portfolio of many multilaterals and constitutes nearly half of global ODA.

Since the Monterrey Consensus in 2002 the premise that financing for development was increasingly to be extracted from international capital markets has been implemented by major development institutions, with an increasingly residual and auxiliary role for aid in capacity- and institution-building, promoting an enabling environment for private investment, both domestic and foreign. These ideas were reiterated at the Doha Review Conference on Financing for Development in December 2008.

Of course, development is much more than aid spending, and the private sector can be a vitally important engine for sustainable development, but private companies can also have detrimental impacts on poverty, human rights and the environment, in particular in the context of international private investments. Furthermore it should be clarified which private sector – foreign or domestic, for profit or other actors – should be primarily awarded scarce international public support for achieving development goals and under what conditions.

International civil society has recently highlighted that MDBs' approach to the private sector and development has not always sufficiently focused on promoting sustainable development or reducing poverty.[4] MDB project selection and monitoring and evaluation procedures have tended to prioritize commercial rather than social and environmental returns. The rapid growth of "arms-length" financial sector investments through intermediaries such as private banks or private equity firms is a particular cause for concern. As shown by new research several MDB-backed intermediaries operate via offshore financial centres and could contribute to capital flight from the global South to the North.[5]

New approach

This trend culminated at the EU level in the proposal for a "whole of the Union" approach[6] – drawing on the G8-sponsored idea promoted under the Italian Presidency in 2009 of a "whole of a country approach." This would mean that not just ODA but also export credits, investment guarantees and technology transfers are counted towards the EU's development contribution. Trade and investment promotion instruments would be used to leverage foreign private investment in developing countries as a key engine for development.

Such an approach draws on transformations that have already taken place within European development finance. The EU "house bank," the European Investment Bank (EIB), which since the 1980s has slowly but consistently increased its volume of operations outside the EU, has become a player in development finance comparable with European Commission (EC) aid and major European bilateral donors. The EIB can be regarded as a "European International Financial Corporation," given its mandate of most often lending directly to the private sector for project operations. At the same time, similar institutions at bilateral level – the so-called European Development Finance Institutions (EDFIs) – financially support primarily member countries' private sector operations abroad in the name of development and are also growing their business and scope of action.

European governments have already turned their attention to how to boost these mechanisms rather than rethinking the ODA infrastructure through innovative financing mechanisms for development.

1 CONCORD, "Broken EU aid promises push Millennium Development Goals out of reach, says CONCORD as OECD announces aid figures," media release, Brussels, 14 April 2010.

2 Organisation for Economic Co-operation and Development/ Development Assistance Committee (OECD/DAC), *Development Cooperation Report* (Paris, 2010).

3 International or regional inter-governmental agencies such as the World Bank or the African Development Bank.

4 Action Aid, Bretton Woods Project, Christian Aid, CRBM, European Network on Debt and Development (Eurodad) and Third World Network (TWN), *Bottom Lines, Better Lives? Multilateral Financing to the Private Sector in Developing Countries – Time for a New Approach*, March 2010. Available from: <www.brettonwoodsproject.org/doc/private/privatesector.pdf>.

5 Richard Murphy, "Investment for development: derailed to tax havens," draft report on the use of tax havens by Development Financial Institutions prepared for IBIS, NCA, CRBM, Eurodad, Forum Syd and the Tax Justice Network, April 2010.

6 Commission of the European Communities, "Supporting Developing Countries in Coping with the Crisis," Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 8 April 2009.

Such a strong emphasis on supporting international investment as a primary engine for development – at a time when the EU is reviewing its overall investment policy[7] – is also undermining opportunities to energize domestic resources mobilization. This would be the most sustainable long-term approach to development because of its capability to reduce the aid and foreign investment dependency of developing countries and insulate them from the impact of exogenous shocks and crises.

At the same time, the entry into force of the Lisbon Treaty at the end of 2009 has structurally established development goals, and in particular poverty reduction and eradication in the long term, as horizontal objectives of overall EU external action[8] – as well as human rights protection and promotion and the promotion of democracy. However, implementation of the new Treaty has opened a wider discussion about how development matters will be operationalized in the new external action service of the EU under the guidance of the newly established High Representative of the EU for Foreign Affairs and Security Policy, and consequently how development policies and goals – as defined in the European Consensus on Development of 2005[9] – could be subordinated to the Union's commercial, security and wider geopolitical priorities. In this context the use of some of the limited development budget at European level for the new external service has become a controversial political issue.[10]

In this new political context, the review of the external lending of the EIB, which started in 2009 and is expected to be completed early in 2011, has generated a wider debate well beyond the future of the Bank's lending in developing countries, triggering a new reflection on the need to change the European development finance architecture. This will likely become a major battleground between civil society and European institutions and governments – among other stakeholders – in the next few years and in the run-up to the EU new budget definition for the period 2013-2020. It is worth looking more carefully at the current debate and advance bold questions and proposals on how to avoid the increasing privatization of European development cooperation in its goals and practice.

7 Seattle to Brussels Network, "Reclaiming public interest in Europe's international investment policy," civil society statement on the future of Europe's international investment policy, Brussels, 12 May 2010.

8 Treaty on the Functioning of the European Union. Available from: <www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0047:0199:EN:PDF>.

9 Available from: <www.europa.eu/legislation_summaries/development/general_development_framework/r12544_en.htm>.

10 Cidse, Eurostep, CONCORD and Aprodev, "Lawyers reveal Ashton's EEAS proposal breaches EU law," media statement, Brussels, 26 April 2010.

The European Investment Bank: a case study

The task of the EIB is to contribute towards the integration, balanced development and economic and social cohesion of EU member states.[11] Outside the EU, it operates under various mandates. In December 2006, the European Council approved a new EIB External Lending Mandate (ELM) for 2007-2013. This provides up to EUR 27.8 billion (USD 35.3 billion) of EU guarantees – an increase of over EUR 7 billion (USD 9 billion) compared to the previous mandate – for providing loans to projects in countries outside the EU, except the Africa, Caribbean and Pacific (ACP) regions.

In terms of the ACP, the EIB operates under the Cotonou Partnership Agreement between the EU and the 79 ACP countries, assigning EUR 1.7 billion (USD 2.2 billion) from its own funds and EUR 2 billion (USD 2.5 billion) under the Investment Facility, a fund financed from the European Development Fund (composed of EU member state contributions administered by the EC) and managed by the EIB.

Civil society organizations monitoring EIB lending have raised several concerns in the last decade about the fundamental ambiguity around the status of this public bank, which is clearly not a regional development bank as it finances supposedly development-friendly investment operations without statutorily abiding by European development policies and goals. In short, EIB lending outside the EU has mainly focused on co-financing large-scale infrastructure operations, energy projects aimed at increasing energy security for the EU and private sector development interventions – including the private financial sector in the global South – so that most EIB loans have first benefited European companies and exporters before local communities' needs.

At the occasion of the approval of the new ELM in 2006 a specific provision to hold a mid-term review of mandate implementation was included for the first time[12] under pressure from a few EU member states. These countries expressed their concern about the growing mission creep in the EIB through this often inconsistent and unclear enlargement of the scope of the Bank's action outside the EU.

The review process has also included two external evaluations, the most important of which was carried out by an *ad hoc* steering committee of "wise persons" established by the Bank and the EC and chaired by Michel Camdessus, former head of the IMF. Among the recommendations in the final report,[13] several concerns were raised including that the "[EIB's] translation of EU policies into EIB lending strategies and the economic and sector analysis of country needs are very limited; the EIB efforts to monitor project implementation, ensure local presence and follow up on environmental and social aspects appear still insufficient; [and] the EIB ability to satisfy the mandate requirements on development aspects is only indirect."[14]

11 See: <www.eib.org/about/index.htm>.

12 "Council Decision of 19 December 2006," *Official Journal of the European Union*, 30 December 2006. Available from: <www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:400:0243:0271:EN:PDF>.

However, the Camdessus report in the end restates the supremacy of private sector support as the core business of the Bank. It also contradictorily calls for a significant expansion of the role of the EIB in development finance by topping up its mandate with EUR 2 billion (USD 2.5 billion) for a new climate finance mandate, increasing the Bank's investments beyond the EU guarantee (including social sectors) and the range of financial instruments offered, and undertakes concessional lending by mixing EIB money with EU grants.

Corporate welfare and development deceptions

The EIB was founded as an investment bank. It is hard to transform the institution into a development one given the difficulty of changing its culture, as the example of the IMF in the last ten years has clearly shown.[15]

Nevertheless, the EIB has been granted a significant role in the 'Whole of the Union' approach since 2009 in the context of the financial and economic crises. Since more resources were needed and EU member states were not keen to increase their ODA contributions, the EIB remained the only institution that could easily lend more through bond issuing in capital markets and increasing the community guarantee scheme for its external lending. Civil society is extremely concerned about the proposal that the EIB should fill the development role that EU member states have failed to provide in the crisis context.[16] The EIB lends at quasi-commercial rates, thus generating new foreign debt in developing countries. Moreover, as an investment bank, the EIB is not best placed to provide a holistic and meaningful response

13 Michael Camdessus et al., "European Investment Bank's external mandate 2007-2013 Mid-Term Review: Report and recommendations of the steering committee of 'wise persons'," February 2010. Available from: <www.eib.org/attachments/documents/eib_external_mandate_2007-2013_mid-term_review.pdf>.

14 *Ibid*, 26.

15 Eurodad and Counter Balance coalition, "Joint submission of the European Network on Debt and Development and the Counter Balance coalition to the Wise Persons Panel in the context of the mid-term review of the European Investment Bank's external mandate," Brussels, 28 January 2010.

16 Alex Wilks, *Corporate welfare and development deceptions. Why the European Investment Bank is failing to deliver outside the EU* (Brussels: Counter Balance, February 2010).

for developing countries in times of crisis. This is particularly true for low-income countries, which should be given grants to meet the needs generated by the crisis and, in the worst case scenario, should only take up concessional lending but never commercial debt.[17]

Even though foreign direct investment (FDI) might contribute to endogenous development processes, this is only the case to a limited extent and under some very specific conditions, as documented in detail by the United Nations Conference on Trade and Development (UNCTAD).[18] Counter-cyclical financial interventions in the context of the crisis require a much more ambitious approach than a mere leveraging of EIB financing in the South. Current attempts to limit negative environmental and social effects on local communities are welcome, but they are a poor substitute for strengthening other more effective development assistance mechanisms within the EU aid architecture. These principles are also valid in the case of the promotion of global public goods such as finance for climate mitigation and adaptation measures. Even though climate finance should be kept clearly separate from aid, it should take into account a number of lessons learnt on how aid should be channelled and delivered in order to be more effective.

Forcing a transformation of some EIB lending into proper development finance instruments by establishing operational links with the EU aid system – European Development Fund, funding instrument for development cooperation (DCI) and EuropeAid – may be too risky if done in a rush and without the appropriate guarantees that the EIB will live up to the standards of EU aid. The intrinsically different nature of these institutions and mechanisms would jeopardize hard won and still limited progress slowly achieved within Europe as concerns the implementation of key aid effectiveness priorities (among which are recipient country ownership, alignment to recipient country strategies and transparency).

The EIB should not expand its role in other development finance areas, such as technical assistance. The EU Court of Auditors found in a report in 2007 that EU technical assistance remained highly ineffective.[19] Recent studies have shown that it is mainly a vehicle for supporting Western firms and does not mobilize effective resource deployment in the South. Technical assistance should instead be, as a minimum, demand-driven, tailored to the recipient countries' needs and have a strong capacity-building component.[20]

In the short term, rigorous do-no-harm policies have to be put in place in order to align EIB lending to cross-cutting EU development and human rights objectives that should guide overall EU external action and minimize negative development impacts on the ground. Resources generated by the EIB – which could be blended with grants – should be transferred to other existing European mechanisms or other international financial institutions (IFIs).

EU development finance architecture

This recommendation would trigger in the medium term the need to redefine the overall EU development finance architecture. This approach is in line with the key priority of the aid effectiveness agenda to reduce fragmentation and duplication among donor-led institutions.

In this regard, the steering committee of 'wise persons' went beyond the remit of its work and made some clear suggestions concerning the integration of the EIB with the renewed European development finance architecture. It identified the need to develop an EIB subsidiary in order to manage the external lending of the Bank and at the same time an "EU platform for external cooperation and development," providing a comprehensive coordination mechanism based on an optimal model for blending grants and loans and building on principles of mutual reliance between financing institutions. This should be open to the participation of the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank and European bilateral financing institutions – in particular EDFIs – and with appropriate beneficiary involvement. This mechanism would accelerate needs identified by the European Council at the end of 2008[21] concerning common guidelines for matching grants and loans at European level, thus leveraging additional resources for development finance.

At the same time, concerning the medium-term and next EU budget period the Camdessus Report highlights two possible solutions that – in line with short-term developments – would drastically change the European development finance architecture: the establishment of a "European Agency for External Financing," which would integrate the external financing activities of the EIB and the external investment-related financing activities managed by the Commission (thus excluding most of the EU development budget); or the creation of a European Bank for Cooperation and Development, which would be a major European instrument bringing the external activities of the EIB under a common shareholding umbrella together with the external activities of the EC and the EBRD.

So far European institutions have been debating these proposals internally, without taking public positions. However, there is a growing appetite for the EIB to be used as a key vehicle in the wider external action service of the EC, possibly with the combination of additional resources, and keeping the centrality of financial support for private sector development within the overall action. In the meantime, EDFIs have stated their interest in cooperating closely with the EIB and promoting the idea of a joint platform, with some pilot activities in the field of climate finance.

Civil society believes that the EU does not need to establish its own development bank.[22] There is no need to add yet another MDB to the existing global and regional ones when much work still has to be done to reform and improve their effectiveness. Signing memorandums of understanding between the EIB and IFIs has produced limited outcomes so far. The EU could consider transferring more resources to existing IFIs instead if appropriate reforms are put in place. In this regard, IFIs should implement strict standards of responsible finance and European governments should perform with more coordinated and effective action on their boards.

Concerning the proposal for an agency, it is highly questionable that the EU would better structure and possibly expand the private sector lending dimension of development finance, partially drawing on its development budget to make some concessional lending to the private sector, while not putting similar efforts into enhancing the actual core of development finance architecture and its development cooperation instruments.

The future of EU development finance

There is a need to rethink the EU development finance architecture in light of significant changes that have taken place due to the crisis, the possible failure of the Millennium Development Goals' agenda and new challenges posed by international cooperation and the promotion of global public goods.

From this perspective tackling an EIB transformation is central for pushing wider EU development finance in the right direction. In the short term the EIB should remain just an investment vehicle, even though its scope of action outside of the EU should be restricted (both geographically and sectorally). The EIB's external action should also be strictly aligned with overall EU development and human rights objectives. Moreover, development effectiveness

17 Eurodad and Counter Balance coalition, *op. cit.*

18 UNCTAD, "Economic development in Africa. Rethinking the role of foreign direct investment" (New York and Geneva: United Nations, 2005). Available from: <www.unctad.org/en/docs/gdsafrica20051_en.pdf>.

19 "Special Report 6/2007 of the European Court of Auditors on the effectiveness of technical assistance in the context of capacity development," *Official Journal of the European Union*, 21 December 2007. Available from: <www.eca.europa.eu/portal/pls/portal/docs/1/673583.PDF>.

20 Eurodad and Counter Balance coalition, *op. cit.*

21 Council of the European Union, "Framework on loans and grants blending mechanisms in the context of external assistance," Financial Counsellors Working Group, 11 December 2008.

22 Eurodad and Counter Balance coalition, *op. cit.*

principles go beyond aid and should also be applied to public-backed investment banking in developing countries, including those promoted by EDFIs.

Furthermore, the EIB must ensure that all its investments have clear development outcomes, in particular in sectors where it is most active such as infrastructure, energy and extractives. As a public institution it also needs to ensure that the companies and investments it supports comply with the highest financing standards with the aim of ending tax evasion and capital flight to the EU and help restore stolen assets to the countries of origin.

However, in the long run – starting with the new EU budget period 2013-2020 – more effective institutional alternatives should be found to this institution concerning its lending outside the EU. In particular, lending to Asia and Latin America should be stopped while prioritizing the increase of development support for low-income countries of these regions through existing EU mechanisms (DCI), IFIs and new regional institutions. As for the lending to Central Asia, the EIB should only financially support EBRD-decided interventions, given that the EIB is already an EBRD shareholder together with the EC and EU member states. Regarding lending to neighbouring regions (Eastern and Southern) the EIB as an investment bank should adopt a stringent development and human rights perspective and clear priorities in line with overall horizontal EU development and human rights objectives of external action.

The effectiveness of EIB's action and its relationship with the European Partnership and Neighbourhood Instrument (ENPI) in these regions should be reviewed once again before the adoption of a new external mandate in 2013. Finally, regarding ACP lending, in the context of the Investment Facility review in 2010 the EC and member states should explore all possible alternatives beyond 2013 for the management of the European Development Fund resources currently administered by the EIB, including regional IFIs, existing EU mechanisms and eventually new mechanisms to be established.[23] ■

23 *Ibid.*

The Treaty of Lisbon and the new perspectives for EU development policy

The Treaty of Lisbon contains provisions designed to tackle poverty and social exclusion within the EU, something particularly significant at a time when 2010 has been declared the European Year for Combating Poverty and Social Exclusion, and when currently 16% of its population are poor. European resources for development cooperation have continued to increase in recent years. However, contributions to social sectors in developing countries, particularly in Sub-Saharan Africa, have been significantly reduced. The drastic decrease in the European Commission contribution to education and health in developing countries is unacceptable and must be redressed.

Mirjam van Reisen
EEPA
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The Treaty of Lisbon, which entered into force on 1 December 2009, was hoped to provide the European Union (EU) with "modern institutions and optimized working methods" to tackle the challenges of today's world both efficiently and effectively.[1] This simplification of working methods – something clearly needed in the EU – has been realized by the Treaty along with the need for transparency and the establishment of new democratic rules. In terms of external policy, political goals and the need to create new instruments for foreign affairs have been underlined in order to face the issues of our rapidly changing world and promote the EU as a global actor.

Following the ratification of the Treaty of Lisbon by all EU member-states, the European development cooperation policy goal has been clearly defined. The Treaty stipulates that all policy efforts should be geared towards "the reduction, and, in the long term, the eradication of poverty" (Article 208).

The Treaty also contains specific provisions for tackling poverty and social exclusion within the EU. According to Article 9, "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health." Moreover, Article 3 clearly stipulates that the Union should "combat social exclusion and discrimination, and shall promote social justice and protection."[2] The year 2010 has been declared the European Year for Combating Poverty and Social Exclusion. This is especially relevant in 2010, as Europe is identifying how it will respond to the challenge of the financial stability of the Euro, which has challenged the EU as a whole.

The European Parliament has been given new powers to adopt trade agreements; a trade committee is now in place in the European Parliament to ensure greater checks and balances are in place for monitoring EU trade relations with third countries. In addition, the European Parliament has negotiated a greater role with regard to foreign affairs, and the High Representative for Foreign Affairs and Security Policy of the EU, Baroness Catherine Ashton, has agreed to report regularly to the European Parliament.

EU relations with developing countries

The EU's relations with developing countries are based on the principle of non-discrimination, and a leading objective in these relations is the eradication of poverty. The Treaty also identifies the four Cs – coherence, consistency, complementarity and coordination – as key elements. The "coherence" principle is of primary importance for achieving development cooperation policy goals, as it states that "the Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries" (Treaty of Lisbon, Article 208). This objective is applicable to all EU institutions, including the European External Action Service (EEAS). The Court of Justice of the European Union (CJEU) issued a judgment in November 2008 whereby European Investment Bank (EIB) operations in developing countries must prioritize development over any economic or political objective.

The implementation of the Treaty of Lisbon allows for the establishment of the EEAS, whose remits have been widely debated. The implementation of the EEAS is a significant change within the current European development policy framework. Its primary goal consists of providing a single diplomatic service for the EU, which will support Baroness Ashton. As a legal opinion drafted for Eurostep by Daniel R. Mekonnen pointed out: "The EU needs a system of development aid and cooperation that has these checks and balances in place. As a partner that manifests the criteria of good governance in its relationships with others, especially with weaker counterparts, the EU will be better positioned if it can advocate good governance not only in principle but also in practice."[3] There is a broad consensus that the EEAS must promote policy coherence for development, as the Treaty of Lisbon applies to its remit, which sets the eradication of poverty as a central objective for EU relations with developing countries.

The EC position paper on "Policy Coherence for Development: accelerating progress towards attaining the Millennium Development Goals," stressed the fact that aid alone is not sufficient to achieve the MDGs.[4] Covering 12 main areas: trade, environment, climate change, security, agriculture, bilateral fisheries agreements, social policies (employment), migration, research/ innovation, information technologies, transport and energy. The policy coherence document notes that trade and agriculture are the two main areas in which improvement of the Generalized System of Preferences of the EU and its current agricultural production pattern needs to be realized.

Missing from this list of priorities is climate change, which is surprising given the concern that European citizens have about this issue. According to Eurobarometer, the EU polling mechanism, 63% of citizens consider climate change as a very serious problem and 24% a fairly serious problem. Most Europeans (62%) believe climate change is not inevitable; only 10% consider it is not a serious problem and 3% do not know. Furthermore, 47% of respondents consider climate change to be one of the two most serious problems facing the world today. Interestingly, only poverty scores higher, being placed in the top two by 69% of those polled. This makes a joint approach to environment protection/climate change and poverty especially attractive and relevant. While sustainable development is well accepted as a crucial component of poverty eradication, there is an urgent need for a binding vision between the EU and developing countries, including good examples and opportunities that show how principles can be put into action.

Following the EC communication, in May 2010 the European Parliament adopted a resolution on

1 Full text available from: <www.europa.eu/lisbon_treaty/full_text/index_en.htm>.

2 Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Available from: <register.consilium.europa.eu/pdf/en/08/st06/st06655.en08.pdf>.

3 Daniel R Mekonnen, "The draft council decision on the establishment of the European External Action Service and its compliance with the Lisbon Treaty–Legal Opinion Drafted for European Solidarity Towards Equal Participation of People," Eurostep, May 2010. Available from: <www.eurostep.org/wcm/dmdocuments/Mekonnen_Legal_Opinion_100511.pdf>.

4 Available from: <www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0134:FIN:EN:PDF>.

Policy Coherence for Development (PCD) which carried more than 70 recommendations. The resolution noted that:

- the so-called "Singapore issues,"[5] such as liberalization of services, investment and government procurement, new rules of competition and stronger enforcement of intellectual property rights, do not assist in achieving the eight MDGs.
- EU export subsidies for European agricultural products have a disastrous effect on food security and the development of a viable agricultural sector in developing countries.
- EU financial contributions within the framework of Fisheries Partnership Agreements (FPAs) have not helped to consolidate the fisheries policies of partner countries, largely due to a lack of monitoring of the implementation of these agreements, the slow payment of assistance, and sometimes even the failure to use this assistance.
- As a major arms exporter, the EU exports or facilitates the shipment of arms to the same countries where millions are spent on development assistance; the EU-15 spends approximately EUR 70 billion per year on development aid, while the value of the EU arms exports amounts to approximately EUR 360 billion annually.
- "Global Europe: competing in the world*,"* which outlines EU trade strategy, shows that bilateral and regional free trade policy strategies foster EU access to developing countries' raw materials markets, including agricultural commodities, by opening them to large EU companies at the expense of small-scale farmers and start-up industries.
- Financial liberalization, including speculative and volatile financial flows, over which developing countries have little control, has generated significant instability at international level with disastrous impacts on developing countries' economies.[6]

The European Parliament concluded that there are many more cases of incoherence that impact negatively on the achievement of the MDGs, which the European Commission should address.

Financial crisis impact on poverty within the EU

While the EU Treaty sets a clear legal framework for the eradication of poverty inside and outside the European Union; in reality, poverty has increased in Europe and in developing countries due to the financial crisis. Eurostat statistics assert that the effects of the crisis on the European labour market are far from over. In fact, in 2009 unemployment increased by over 5 million people to around 21.4 million in the EU, much of it due to job losses in the past 12 months.[7] According to the EU, about 80 million or 16% of the population are currently living in poverty.[8]

The subprime mortgage crisis, with its major adverse consequences for banks, financial markets and the real economy around the globe, sheds light on the inefficiencies of EU regulation and capacity to take appropriate actions to protect from speculation against the Euro. Following the early crisis effect in Europe and the financial collapse in Greece, the EU has strengthened its common approach to bring European national budgets under tighter control. Future sanctions are threatened against European governments with regard to managing their economies, and a willingness to tighten up the bloc's Stability and Growth pact – which sets limits for member states public deficits and debt – has been clearly stressed by European leaders.

However, besides reinforcing controls on national budgets, setting up a "preventative surveillance" system, there is no EU plan on how to shield poor citizens in the EU from the consequences of austerity measures, nor any EU policy on protecting social sectors in Europe. As underlined by Làzlo Andor, the European commissioner for employment and social affairs, "we should all see that we are still in a phase of fragile recovery." Andor emphasized that until he sees "robust growth in all member states," he will be more concerned "that premature austerity can undermine both economic recovery and the growth of jobs."[9]

Certainly, new forms of institutions are emerging which are not foreseen in the Treaty of Lisbon. As a good example, Herman Van Rompuy, the President of the European Council is chairing a task Force on European economic issues, a group consisting of ministers of finance of almost all the 27 Member States, and representatives from the EU institutions (such as Jean Claude Trichet, the President of the European Central Bank). While this group is working on fiscal sustainability and greater budgetary discipline, one of its first priorities is "the need to strengthen our fiscal rulebook: the Stability and Growth Pact," as Van Rompuy stated.[10] The institutional framework is moving, then, toward austerity policies.

There is concern that a rejection of a neo-Keynesian approach, to set up countercyclical measures against recession will lead to increased poverty in European countries, deepening the economic recession in Europe. In a recent address to investors, Van Rompuy emphasized the strength of the EU in its combination of a strong economy and well-developed social support system, including a highly educated population, as well as "Europe's attractiveness to investors and entrepreneurs... In fact, it is this double attractiveness which makes our continent unique. Europe's message to the world is that one can have both. Economic growth and social justice. Efficient political decisions and democratic accountability. Adaptation to the times and a preservation of one's heritage. A good place to invest and to live."

The EU president has also indicated that cuts in education, climate and social inclusion would not be acceptable: "We will stick to five main targets, all quantifiable. Research & development & innovation, education, employment, climate and social inclusion. (…) We have to preserve that type of expenditure (for instance on education) and tax deduction in a period of budgetary cuts. This is not a soft option."[11]

Repercussions outside the EU

In a time of economic crisis, developing countries need EU support more than ever. Partnerships should clearly be shouldered by the European Commission and the EU member states. From a developing country perspective, economic austerity responses to the crisis in European member states will undoubtedly have strong negative impacts on their still struggling economies. As the World Bank stated, "the recession has cut sharply into the revenues of governments in poor countries. Unless donors step in to fill the gap, authorities in these countries may be forced to cut back on social and humanitarian assistance precisely when it is most required."[12]

European resources for development cooperation have continued to increase from USD 11.2 billion

5 This refers to four working groups set up during the 1996 World Trade Organization Ministerial Conference in Singapore.

6 Parliamentary Committee on Development, *Report on the EU Policy Coherence for Development and the 'Official Development Assistance plus' concept:* explanatory statement, 2009, 17. Available from: <www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0140&language=EN#title2>.

7 Remko HIJMAN, « Population and social conditions, » *Eurostat Statistics in Focus*, 79/2009, 1. Available from: <www.epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-10-013/EN/KS-SF-10-013-EN.PDF>.

8 Committee of the Regions, *Local and regional responses to poverty and social exclusion*, June 2010.

9 European Voice, "Andor warns of hasty austerity measures," 24 June 2010, 2.

10 Keynote speech by Herman Van Rompuy, President of the European Council, at the World Investment Conference 2010, "Europe's Attractiveness in a Changing World," La Baule, France, 2 June 2010, 3. Available from: <www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/114883.pdf>.

11 *Ibid.*

12 World Bank, *Global Economic Prospects 2010: Crisis, Finance, and Growth, Washington, DC, 2010.* Available from: <siteresources.worldbank.org/INTGEP2010/Resources/GEP2010-Full-Report.pdf>.

in 2005 to USD 15.4 billion in 2009.[13] However, social sectors in developing countries, particularly in Sub-Saharan Africa have been significantly reduced. The European Court of Auditors in its 2009 report concluded that in "Sub-Saharan Africa, the health MDGs were most off track."[14] According to a recent article, "the Development Assistance for Health (DAH) to government had a negative and significant effect on domestic government spending on health such that for every USD 1 of DAH to government, government health expenditures from domestic resources were reduced by USD 0.43 to USD 1.14."[15] It appears that social sector support through General Budget Support does not automatically increase expenditure in those sectors.

On an overview of European commitments, basic health and education allocations have consistently decreased since 2005; as stated by Alliance 2015, "this has resulted in a total of only 5.7% of all aid managed by the European Commission being allocated to basic health and education in 2008, which is a decrease from 11% in 2005."[16] Allocations to basic health and education in Sub-Saharan Africa have dropped from 8% of total aid allocation in 2005 to 1.5% in 2008.[17] Figures show that the percentage of allocations to food decreased from 4% of total funding in 2005 to 1.5% in 2008, basic health from 4.7% (2005) to 1.3% (2008) and basic education from 2.7% (2005) to 1.1% (2008).[18] For achieving the MDGs in time, "the EC would have to increase funding from EUR 605 million to EUR 971 million annually for education and from EUR 460 million to EUR 1.5 billion for health to help close the financing gaps," according to Alliance 2015.[19]

The budget target of 20% of total aid for basic health and education for Asia and Latin America was reached in 2009. However, as noted, the concern is that the spending target for Africa is clearly plummeting. Applying the fundamental principle of non-discrimination enshrined in the Treaty of Lisbon, the European community must apply the 20% target to all other regions.

Policy for Coherence in Development sets as a central objective the need for the European Union to apply its standard of balancing the economic and the social as a measure of progress internally and externally. The European Commission and the EEAS should lead by example, especially as they will be increasingly representing the whole of the EU abroad. The drastic decrease of the European Commission contribution to education and health in developing countries is unacceptable and must be redressed. ■

13 Mirjam Van Reisen, ed., *The EU's Contribution to the Millennium Development Goals: Keeping the goals alive* (Prague: Alliance 2015, 2010).

14 European Public Health Alliance, "European Court of Auditors slams EC development health financing," Available from: <www.epha.org/a/3373>.

15 Lu, C. et al., "Public financing of health in developing countries: A cross-national systemic analysis," *The Lancet,* 9 April 2010.

16 Alliance 2015, *op cit.*, 21, table 2.1.

17 *Ibid.*, table 2.2.

18 "Alliance 2015 calls on the EU to agree to binding aid targets to reach MDGs," 2 June 2010. Available from: <www.alliance2015.org/index.php?id=25&no_cache=1&tx_ttnews[tt_news]=69&tx_ttnews[backPid]=9>.

19 *Ibid.*

The Arab States and the MDGs: no progress without social justice

The Millennium Development Goals (MDGs) will not be met in the Arab region by 2015 at the current rate of progress. The main reasons for this slow pace are the international community's weak support for Goal 8 concerning global partnerships for development, and the feeble political concern with achieving economic and social justice in the region. Other significant regional barriers to achieving the goals include lack of commitment to the notion of human rights and the principles of "good governance," fragile political stability and deficient democracy, and lack of a peaceful and sustainable framework for action.

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Arab NGO Network for Development (ANND)

The year 2010 is very important for the Millennium Development Goals (MDGs) process because it marks 10 years since the adoption of the Millennium Declaration and five years before the end of the proposed implementation period. A preparatory review step has already taken place during hearings with civil society groups held by the UN in June 2010, and the entire process will be discussed by the UN General Assembly in September.

This is therefore an opportune time to objectively evaluate efforts to reach the goals, assess the processes, and come up with concrete recommendations aimed at redirecting efforts as necessary and including different stakeholders towards effective achievements. This is particularly true now that almost all the country-based analyses, even the most optimistic among them, affirm that the goals are unlikely to be met by 2015, at least with the current rate of progress and given the implications of the global economic crisis.

The global partnership agreed to under Goal 8, is a clear recognition of the need to enhance global commitments to complement the national and local efforts of developing countries. Nevertheless these global commitments have so far not been translated into concrete and explicit decisions and implementation policies. To begin with, a consistent lack of political will is clearly revealed through the decline in Official Development Assistance (ODA). Indeed, despite pledged commitments, ODA is still far behind the target. The most optimistic figures show that it does not exceed 0.31% of Gross Domestic Product (GDP).[2] For Least Developed Countries (LDCs),[3] the percentage reached is 0.09% instead of the committed 0.15-0.20%.[4] The two other main targets included in Goal 8 – fair trade policies and debt relief – have not been met either.

More problematic is the narrow approach adopted by G-8 countries, together with some UN agencies and other international institutions, limiting the debates on MDG achievement to a discussion of money and aid, thus reflecting a highly contested vision of the development challenges. Instead nations' capacity for development should be the main objective. Yet there is also a lack of vision and capacity at the national level for a comprehensive and inclusive economic strategy, with transparent budgets that reveal proper mobilization of local resources and how they can best be used. Ideally nations' empowerment would enlarge their choices, improve their developmental performance and achievements, and secure a more adequate use of their resources.

The Gleneagles summit of the G-8 in 2005 concluded with a pledge to deliver USD 150 billion to fight poverty. However, the food, fuel and financial crises, as well as increased concerns about climate change, served as an excuse not to fulfill this commitment. These crises are a consequence of the current global system: on the one hand, it is unable to hold multinational corporations accountable and responsible; on the other hand, it is unable to adopt and implement relevant and effective solutions to the challenges of poverty, development and injustice around the world. This system is more focused on undertaking emergency measures to overcome the immediate impact of the crises than in long-term interventions to comprehensively address the root causes of unemployment, increasing poverty, and political, social and economic marginalization.

In late 2008 the heads of state that met during the review conference on Financing for Development in Doha failed to arrive at a comprehensive vision towards achieving the MDGs. Instead of addressing the core issues behind the global financial and economic crises, these leaders reiterated the G-20 "emergency" decisions focused on addressing the immediate impacts of the crises. Civil society groups participating in Doha criticized the outcomes, calling for a new deal to replace the Washington Consensus based on a comprehensive revision of current global policies by the international institutions and the G-8. The effort by the UN General Assembly to address this issue through the formation of the Stiglitz Commission and later the High Level Conference on the World Financial and Economic Crisis in June 2009, also ended in a stalemate – reflecting the inability of the international community to agree on a holistic approach to development instead of protecting the interests of multinational corporations.

MDGs challenges in the Arab region

The *Arab Human Development Report 2009*, through a focus on the concept of human security, reveals that human development indicators in the region lag far behind the promises made.[5] It underlines the economic challenges, highlighting that Arab countries' dependency on oil production has made their economies vulnerable to global changes in oil prices. An additional major economic challenge is their reliance on foreign investment, which greatly increases their vulnerability to global economic depressions such as the one experienced during the past few years. Furthermore, Arab economies are service-oriented, which means they have increasingly weakened their productive sectors.

Unemployment remains a major challenge. The Arab Labor Organization indicates that, in 2008, unemployment had risen to 14.4%, more than double the global rate of 6.3%. Although the rate varies from one Arab country to another, unemployment among young people is very high, exceeding 50% of the unemployed population. The average unemployment among youth in the region is 25.5%,[6] which is the highest in the world. Moreover, persistent gender discrimination in the labour market has led to greater unemployment rates among women.

Equally pressing, aggregated poverty in the region now exceeds 39%, which means that almost 140 million Arab citizens are living below the upper poverty line and not enjoying their right to an adequate standard of living.[7] National MDGs reports prepared by governments with technical assistance from UNDP indicate that the region will not be able to solve the challenge of famine. Estimations in 2004 showed that 25.5 million people

1 The author is grateful to Marc Van de Weil for his valuable assistance.

2 Organization for Economic Co-operation and Development (OECD), *Development aid rose in 2009 and most donors will meet 2010 aid targets,* Available from: <www.oecd.org/document/11/0,3343,en_2649_34447_44981579_1_1_1_1,00.html>.

3 Five Arab countries are considered to be LDCs: Comoros, Djibouti, Somalia, Sudan and Yemen.

4 Majed Azzam, *Assessing the MDGs in the Arab region: A Survey of Key Issues,* Arab NGO Network for Development (ANND), 2009.

5 UNDP Regional Bureau for Arab States, *Arab Human Development Report 2009: Challenges to Human Security in the Arab Countries,* New York, 2009.

6 Arab Labor Organization, 2003. See: <www.alolabor.org/>.

7 UNDP Regional Bureau for Arab States and League of Arab States, *Development Challenges in the Arab States: A Human Development Approach,* New York, May 2009.

faced famine and malnutrition, a significant increase compared to 1994.[8] The report prepared by UNDP and the Arab League on development challenges in the region shows that, despite progress in Syria and Sudan on self-sufficiency in seeds, there has been no tangible progress in food security since 1990.[9]

ANND: the MDGs assessment

In 2000, 22 Arab leaders adopted the Millennium Declaration and pledged to achieve the MDGs by 2015. During the last decade, many political, economic and social developments have affected the reform processes in Arab countries. The "War on Terror" launched with the 2001 invasion and occupation of Afghanistan, the invasion and occupation of Iraq in 2003, the Israeli war on Lebanon in 2006, the continuous deterioration in the living conditions of the Palestinian people, especially after the siege of the Gaza Strip in 2007, as well as the internal conflicts erupting in countries such as Algeria, Lebanon, Somalia, Sudan and Yemen, have been among the main destabilizing events in the region. The situation is worsened by the devastating effects of the food crisis, climate change and the fluctuation in oil prices, negatively affecting domestic efforts to achieve development goals.

Despite these challenges, however, achieving the development goals is also the responsibility of existing national systems and institutions and, more specifically, the regimes and authorities currently in power. The ANND MDGs assessment therefore examined financing and development goals, gender issues and mainstreaming of the goals in national policies.

As far as financing and mobilizing resources for development and the MDGs is concerned, most Arab countries have failed to marshal local or regional resources as a result of ineffective policies oriented towards attracting foreign investments, aid and loans.[10] Yet, foreign investments have not had the expected positive impacts so far; ODA was not allocated according to basic human needs and was quantitatively not sufficient to support governments in making the necessary progress to meet the goals. Moreover, countries lack public administrations that can manage the available resources. Ultimately, the impact of using loans to invest in non-productive sectors and economic activities led to an increase of the debt service in many Arab countries and was actually a setback to achieving the goals.

In regards to mainstreaming the MDGs in national policy-making and the overall evolution of MDGs processes at national levels, particularly the inclusion of various stakeholders and civil society organizations, slight progress has been achieved. However, the processes still lack adequate mechanisms for effective participation. Effective results are lacking due to the absence of functioning democratic institutions, high military spending, the burdens of demographic evolution, and economic policies that have led to increasing wealth disparities and mass unemployment. Within this context, governments in the Arab region have not integrated MDGs targets into their national development plans. Furthermore, global policies have contributed to squeezing their policy space, further constraining national efforts towards development.

Regarding the mainstreaming of a gender dimension into the MDG process, it must be noted that women in the Arab region remain generally excluded from political and economic life. At the root of this exclusion is the patriarchal structure of Arab societies and the influence of traditional and religious norms and values. One clear example is the number of significant reservations by all Arab states that have ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), weakening its implementation. Excluding women from MDGs processes results in a waste of resources and opportunities for progress.

Thus, the economic models followed by Arab countries and the inadequate national strategies they put in place for social development are two major reasons behind the lack of progress on the MDGs front. Accordingly one of the recommendations for the future is institution building and extensive reformation of the political governance system in the region towards more transparency, accountability and responsibility.

Observations at the national level[11]

Looking at the MDGs at the national level, a lack of governmental commitment to their achievement clearly surfaces. Although the declared official positions show a positive attitude towards the MDGs and highlight the necessity of their achievement, such positions remain strictly verbal and are not translated into actual governmental policies or into concrete national strategies or plans of action.

A comprehensive rights-based approach is lacking in economic and social policies. Poor governance practices are often the main underlying factors behind the ineffective use of resources. Moreover, national contexts reveal weak political will to meet fundamental human needs and achieve progress on the provision of basic human rights. Instead, it becomes apparent that the various groups in power maintain a relation with citizens based on nepotism and the exploitation of unequal power relations, reinforced by their totalitarian and authoritarian nature. Four major factors are observed across various national contexts, and held to be directly or indirectly responsible for such problematic national contexts:

- The consistent lack of democracy, participation and good governance. This is reflected in weak political participation, opaque and unaccountable political systems, and unskilled, inefficient and unproductive public administrations. These are serious obstacles that prevent Arab countries from mobilizing and adequately using national resources, whether natural, financial or human.
- Systemic challenges related to the lack of transparency and integrity in public policies and in the delivery of social services. The absence of a human rights concept in national policy-making leads to a misunderstanding of the "State of rights." Social protection and population well-being must be seen as intrinsic to human rights instead of as a gift from the politicians in power, which distorts the relation between the citizen and the state.
- A consistent lack of stability, security and peace in the region has contributed to structural instability and turbulence in development policies. This context has resulted in foreign investors' limited interest in the Arab region, the waste of resources and means for development, and the low productivity rates caused by the mismanagement of time and resources.

The consistent lack of a rights-based approach in policy-making contributes to the lack of comprehensive national strategies for social development.

Additionally, the region shows a significant contrast between its economic and development indicators. Most oil-producing Arab countries have gone through a period of relatively positive economic growth due to the rise in oil prices. A spill-over effect of this is that the region, as a whole, has witnessed one of the best economic growth results in the world. However, this has not been reflected in progress on the development front, as most countries continue to show very low human development results. Indeed, given that the MDGs and development goals in general have not been a priority for Arab leaders, there has been no proper policy for wealth redistribution among countries as well as within countries in the region.

Despite such problematic contexts, many official MDGs reports have attempted to reflect a more

8 UNDP Regional Bureau for Arab States, *op. cit.*

9 UNDP Regional Bureau for Arab States and League of Arab States, *op. cit.*

10 See Ayah Mahgoub, 2009. Available from: <blogs.cgdev.org/global_prosperity_wonkcast/2010/03/09/cash-on-delivery-aid-ayah-mahgoub-on-cod-in-education>.

11 This section is based on reports by ANND members on the MDG process in Bahrain, Egypt, Jordan, Lebanon, Sudan, Tunisia and Yemen, which focused on national challenges and the relevance of the adopted policies, and highlighting a set of civil society recommendations to advance the MDGs.

positive situation. Consequently they have failed to formulate concrete and measurable indicators of governmental strategies, and often remain limited to abstract and normative recommendations for the future. In general, most official reports have falsely attempted to show the governments' commitment to allocating its resources to development targets and the MDGs. They have also tried to reflect confidence in attaining these goals by 2015. In doing so, they have failed to disclose the evident weaknesses in many national contexts.

Whereas most of the reports mention the inclusion of different stakeholders in the process of evaluating the MDGs, it is not clear to what extent this participation has been effective or what criteria have been used for including them. It is most likely that the tendency to include non-governmental partners from academia and civil society reflects the demands of UN and donor partners rather than genuine national participatory approaches.

Many reports over-emphasize the responsibility of donors for the inadequate level or conditional nature of their development assistance without at the same time addressing national policy-making and institutional performance problems. Examples are the Egyptian and Yemeni official MDGs reports.

The Saudi official MDGs report focuses only on achievements and fails to sufficiently identify existing challenges and weaknesses, nor does it put forward any recommendations for the future. The Bahrain report even avoids formulating any targets, claiming that Bahrain is not a "typical" developing county despite its clear commitment to addressing the challenges mentioned in its country report. An independent, neutral, and objective evaluation of the MDGs' monitoring process itself is commonly omitted, with the sole exception of the Palestinian report, which succeeded in depicting a more realistic account of the situation.

The official country reports for Bahrain, Lebanon, Jordan, Sudan, Yemen and the Palestinian Authority state that the MDG and related reporting processes are inclusive. Indeed, most of these reports result from the work of a technical committee supervised by the national ministries of planning (or other similar bodies) and have been technically and financially supported by the UN country offices, including all relevant agencies. However the country reports for Egypt, Tunisia and Saudi Arabia were drafted by their governments with the support of UNDP alone. This raises questions about the relative neutrality, the accurate collection and representation of data, and the genuineness of the governments' attempts to achieve progress on the development front.

Observations from the Universal Periodic Review processes

Human rights in the Arab region are constantly violated by the states, an observation made in scores of reports including those issued by the UN and several international non-governmental organizations (NGOs) such as Human Rights Watch and Amnesty International. However, Arab states continue to insist on their reservations in relation to international human rights conventions, thus preventing any tangible developmental progress from materializing.

A particular problem is that social and economic rights in many Arab countries are not properly addressed by their governments. An analytical overview of the results from the Universal Periodic Reviews of several Arab countries undertaken under the auspices of the UN Human Rights Council reaffirms such observations.

In relation to the right to an adequate standard of living, including the rights to housing and to water, severe violations are seen in, for example, Egypt, Iraq and Yemen. The reviews concluded that more resources should be allocated to improve economic and social development measures, through policies to fight poverty, and to improve access to human rights.

In relation to the right to work, including working in adecuate conditions, severe violations are seen in most Arab countries, particularly related to vulnerable working groups such as women and migrants. Child labour remains a challenge in addition to the high percentage of unemployment among young people compared to global levels.

As for the right to education, despite efforts undertaken, many Arab countries show limited access to basic education and high levels of illiteracy. While a number of them slightly improved quantitative education indicators, the quality of education with respect to the needs of the labour market remains a big concern.

As for the right to health although there has been an increase in governmental efforts to improve access to public health care, indicators do not confirm any relevant progress. This is probably due to the fact that the health sector in the region is largely concerned with implementing safety nets and targeting specific groups, and thus excludes a large number of people from health care programs and services.

Conclusions

In order to meet the MDGs by 2015, considerable additional efforts and political will are needed to enhance the adoption and implementation of developmental policies. Towards this end, concrete and measurable targets can serve as a tool to evaluate progress.

Enhancing the efficiency of public administrations remains a major challenge, and requires a number of concrete measures. Public servants should be trained to deal with people and their needs in a more respectful way, guided by a rights-based approach. Moreover, empowering public regulators and enhancing citizens' respect for these regulations is an important step towards improving the implementation of public policies and national strategies.

A sincere political commitment, reflected in concrete public policies and development implementation plans, should be based on integrity and transparency. Indeed, citizen participation through civil society organizations and other interest groups is an important factor to reach successful results. This calls for a reform of the administrative system in order to overcome the systemic character of corruption that weakens it. It is worth noting in this regard that the adoption and implementation of the UN Anti-Corruption Convention would contribute to reforming the system of public policy-making.

These recommendations are not easily achievable without explicit political commitment. There are three prerequisites for the above-mentioned recommendations: democracy for securing proper participation, accountability, and responsibility; good governance for securing appropriate resource mobilization and investment; and social justice for securing comprehensive and inclusive policies. Unfortunately, as these prerequisites are still missing, the region's inability to reach the MDGs by 2015 becomes only too apparent. ■