

STRATEGY SESSION 6

On Principled / Responsible / Alternative Financing

Briefing Paper and Proposals

BRIEFING and SOME IDEAS ON THE FOLLOWING OPPORTUNITIES

- Calling for international intergovernmental conference on responsible finance
- Influencing the G-20 debate on responsible lending ahead of the 2009 UK meeting
- UN related initiatives - opportunities in UN FfD and UNCTAD
- The processes of the IFIs
- Parliamentary oversight over borrowing (ex. "Owning the Loan" initiative)

1. Calling for international intergovernmental conference on responsible finance

Many governments have recently voiced at least rhetorical support for more responsible/sustainable lending and borrowing practices in the future. But when pressed about what measures they are actively taking in this area, they are less clear. Some governments have grouped themselves into small clubs - within the OECD and/or Paris Club - to define their own responsible lending standards but these fall far short of serious measures to prevent the accumulation of future illegitimate debt. Moreover, the issue should be tackled internationally, not just by a select few creditors who decide on their own how to define responsible/sustainable lending and borrowing.

As a first step towards more concrete progress in this area, NGOs could advocate for a core group of like-minded lenders and borrowers to club together to support an **international intergovernmental conference** or other process on the issue in order to debate more robust policy solutions and develop a concrete plan of action. This idea could be tabled at the following forums at least:

- UN FfD Summit
- EU in the context of the Swedish and Czech Presidencies in 2009
- African Union
- G20
- Commonwealth Ministerial Forum (Guyana currently holds the Chair of the Commonwealth and the Finance Minister is very interested in this issue)
- Individual governments (e.g. the Netherlands seems open to the idea of co-sponsorship of such a process should it be approached first by a debtor nation).
- European Parliament (we could target MPs/MEPs that have signed the parliamentarian's declaration for their endorsement of the idea)
- Individual country parliaments

The process should be led equally by governments of the South and North, otherwise it could be counter-productive. NGOs should bear in mind that a number of larger 'heavyweight' countries need to be brought on board to give such an initiative the strength and credibility we would seek. NGOs and the private sector should also have important roles within the process and be able to define the agenda and present their ideas on how to tackle the responsible/alternative finance issue.

If NGOs are interested in pursuing this idea, they should first set out and agree a draft "*terms of reference*" for such an *intergovernmental conference*. This can then be presented as a consensus document to different governments in different geographical regions to help lobby for support for the

idea. We can also try to get prominent persons to endorse our proposal and help push it forward with governments and the media. This should include parliaments, targeting first the MPs that have signed the parliamentarian's declaration on illegitimate debt. NGOs should decide on which governments/forums to prioritise and develop a timeframe for targeting them (as well as who should take the lead).

2. Influencing the G-20 debate on responsible lending ahead of the 2009 UK meeting

The UK will be the host of the G-20 in 2009. This is a forum where the idea of a responsible lending charter has been discussed and may very well be on the agenda in 2009. Here is some background information prepared by Bretton Woods Project to help inform our thinking on this particular opportunity.

The G20 is the forum for discussion amongst the finance ministers and central bankers of the (roughly) top 20 economies in the world. As such it includes your usual G8 crowd but also big emerging markets like Brazil, India, China, Indonesia, Mexico and South Africa. This makes it a forum for deal making on issues of international concern. Here is the information I have got so far from the UK Treasury that I wanted to share with all.

Priorities/themes

Each G20 host (in conjunction with the Troika working group - meaning past and future hosts) sets out 2-3 themes for work. These are on top of the usual discussion of the state of the global economy. The themes have not been decided yet. They will be decided by the Treasury and proposed to the G20 deputies meeting in Rio from 30-31 August. Past practice is that the host's chosen themes are generally not rejected but countries might request/input into modifications to the approach to those themes. As the proposed theme have not yet been presented - do not share the below information publicly!

The Treasury has indicated to us that 1 of the themes will be development focused. A previous item from G20 processes has been a "responsible lending charter". This was unfinished business and the UK has previously promised (including in a public forum) to make sure it gets addressed. The language will likely to be changed to say something more like "sustainable financing for development" which can then be broader and encompass other issues like taxation, innovative finance etc.

The Treasury has not be forthcoming on the other two themes. Possibilities based on the past work of the Treasury are Gordon Brown's proposal for "an early warning system" of regulators for financial crises, and climate change financing regimes.

They have indicated that reform of the IFIs will likely be addressed regardless of what the themes are as this is now a rather permanent feature of the G20 agenda. So IMF governance issues (board chairs, IEO report follow-up) as well as WB governance side (voting rights if it is not concluded before next year) can be discussed.

The Treasury has expressed willingness to listen to civil society ideas on what they would like addressed in the forum. See below for contact info/next steps.

Practicalities

The schedule of events is not firmly fixed yet for next year, but it will follow broadly the schedule of this year. That is as follows:

February - Thematic workshop

March - Deputies meeting

May - Thematic workshop
June - Thematic workshop
September - Deputies meeting
November - Ministerial summit

Locations are not yet known. The first deputies meeting is likely to be in London. The remainder have not been located yet. The ministerial summit is unlikely to be in London (security issues). Often thematic workshops are hosted by other countries. Deputies meetings last 1.5 days and in the past industry groups/lobbyists have organised side events with those. Workshops are generally two days and are more in-depth discussion amongst the policy leads on the particular theme. Civil society involvement in the workshops is possible if the Treasury thinks there is someone with sufficient expertise (in the past academics have been invited to such events). Involvement in deputies meetings was a no-go area. They suggested side-events if we want to get to the deputies on something.

The final schedule of events should be available to be presented to the G20 summit in November this year.

Next Steps

Ideas on the priorities for the G20 should be communicated to the Treasury as soon as possible as there is less than 1 month for the decision to be made. Treasury thinks that No. 10 will play a background role in these decisions and that this will really be left to the Treasury and Bank of England. I will send a note to the Treasury myself outlining some of things we have already briefly discussed with them (international taxation/tax evasion, responsible lending, IFI governance, international financial regulation, climate change financing and the role of the IMF in low-income countries). It will be a short note (one paragraph on each topic with 1 or 2 links to further information).

3. UN related initiatives – opportunities in UN FfD and UNCTAD

UN Financing for Development (UN FfD)

The UN FFD process is another vehicle through which to advocate for language in the FFD outcome document about the need for strong new standards for responsible lending.

In the current draft of the UN FfD outcome document, the debt chapter includes some reference to the responsible lending call:

“We need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is the ultimate objective of debt resolution and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; **to promote responsible lending practices**, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.”

There is an opportunity here to engage with the process and set a strong standard for what civil society means by responsible lending. The conference will take place at end November; the window for influence is very short -term - within September and October at the latest.

UNCTAD

UNCTAD have been extremely supportive of the work of NGOs to draw officials' attention to the issue of illegitimate and odious debt. For example, UNCTAD's research paper on odious debt - commissioned by the Norwegians and undertaken by Professor Robert Howse - was much more positive about the concept than the World Bank's odious debt paper which was issued at a similar time. UNCTAD also brings together officials from governments and financial institutions, debt managers, academics and NGOs once every two years to discuss issues related to sovereign debt. The last conference was devoted to the issue of odious debt. UNCTAD is also interested in pursuing issues related to future responsible/alternative financing. UNCTAD's reports are well regarded internationally by development professionals and NGOs should encourage them to develop some more academic research in this area. They could also be pushed to organize a series of workshops with stakeholders to discuss the findings and recommendations of their research. NGOs have good contacts with UNCTAD and could be influential in defining what the organization does next on this issue. UNCTAD is also perceived as "neutral" internationally which could also be an important for generating official international interest in alternative proposals.

Next steps: NGOs should formulate a concrete proposal as to what couple of priority issues they think UNCTAD should conduct more research on over the next couple of years. NGOs with good contacts should then actively lobby UNCTAD to take these forward with plans for outreach of the reports afterwards. Note that UNCTAD may request that NGOs also help identify sympathetic governments who will financially support this work.

4. The processes of the IFIs

The World Bank and IMF view the debt sustainability framework for low-income countries as probably the single most important contribution to the issue of responsible lending. It has been adopted as the "benchmark" by many governments who are now unwilling to go much further.

The World Bank will organize an international conference on the issue of debt in low-income countries on October 30-31 in Washington. This provides CSOs with an important opportunity to make a joint international statement to the Bank which should argue that the institution must dramatically redefine its concept and understanding of responsible lending to include many of the issues CSOs see as important and as outlined in documents such as Eurodad's Charter on Responsible Finance. It must shift its focus away from the current "prudent lending" approach. CSOs could also try to get prominent persons to endorse the statement and/or present similar views.

The World Bank could also be challenged to publicly state which of the Eurodad Charter's proposals it formally endorses.

The Bank could also be challenged to make available a number of loan contracts to civil society organizations/independent researchers who could then scrutinize how far they fulfill the provisions outlined in the Eurodad Charter.

Question - Would it be useful for the campaign if the World Bank were to facilitate the getting together of academics and other professionals in workshops to consider new proposals on responsible/alternative financing? Or will it be counterproductive - i.e. World Bank would just hijack the process and/or would be too controversial?

5. Parliamentary oversight over borrowing (ex. "Owning the Loan" initiative)

AFRODAD and other groups who are doing work on this can give a short briefing and share ideas