



## Fundamental Change or More of the Same?

### *A review of G20 progress towards civil society recommendations*

- Briefing paper -

April 2010

Over the last year, the G20 have established themselves as the pre-eminent forum of international leaders taking decisions on the global economy. The 2009 G20 leaders' summits in London and in Pittsburgh aimed to establish global recovery plans in the face of the international financial and economic crisis.

In 2009, the Put People First platform, an unprecedented collaboration of a wide spectrum of UK civil society organisations, laid out in 12 recommendations what changes were required to reform the global economy in order to put people first.<sup>1</sup> Put People First called for an overhaul of the global economy to deliver jobs, justice, and a safer climate. It sought explicit recognition that this is not just a banking or a regulation crisis, but a structural crisis of the entire economic model.

In 2010, many governments would no doubt like to believe that their actions have resolved the financial and economic crises and after a period of recovery they can go back to business as usual. However there are key lessons that still need to be learned from the last two years if the impact of the banking collapse is to leave a positive legacy of reform. The international community needs to continue to focus on sustainable and equitable policy, as this review shows, by going far further than has so far been contemplated.

The international role the G20 has assumed, and in particular the accountability of this forum, are questionable. It remains a self-selected body and has no mandate other than its own regarding the global economy—or indeed any other issue. G20

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<sup>1</sup> Put People First: Ensuring a response to the economic crisis that delivers democratic governance of the economy for: Jobs: Decent jobs and public services for all Justice: End global poverty and inequality Climate: Build a green economy - <http://www.putpeoplefirst.org.uk/wp-content/uploads/2009/03/Put-People-First-policyplatform.pdf>

The full text of the Put People First recommendations, and the follow-up 'Beyond the London Summit, Assessing the UK government's response to the financial crisis and charting a way forward', are included in Appendices A and B respectively

leaders have failed to drive the fundamental change the world needs. Though the global crisis has demonstrated beyond any doubt that economic policies need to be rethought, the G20 have clung to old models and focussed on cosmetic changes.

Throughout this review, several common principles underpin the reforms – be they regarding jobs, justice or climate – that have been called for by UK civil society. The poorest countries need to be included in reform processes; the necessary overhaul of the global economy requires an inclusive international process, with a reformed UN playing a key role. To achieve the broader goal of democratic governance, a global leaders' forum must include the effective participation of low-income countries. Particular attention also needs to be paid to gender differentials and the particular experience of women in poverty alleviation policies and programmes. The evolution from G8 to G20 processes does not meet the need to be representative in their composition. The institutions charged with delivering reform need to be transparent and accountable to all those impacted by their decisions. Inclusion of civil society is a practical and necessary component for the accountability of decision-making to be legitimate.<sup>2</sup>

Despite its revealed flaws, the economic model that led to the crisis has been assiduously pursued by governments in developed nations, not least in the UK, and uncritically promoted to developing countries by international financial institutions. Nevertheless G20 leaders have so far strengthened the existing institutions that were responsible for overseeing failed policies without accompanying and equivalent reforms to their operation.

In this review, we assess the progress of the G20, and particularly of the UK government, towards the 12 policy recommendations as set out by the Put People First platform in March 2009 (see Appendix A) and identify areas where further progress should be pursued in 2010.

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<sup>2</sup> See the international civil society statement “Towards a Global Leaders Forum that Promotes Democratic Global Governance and an Equitable and Sustainable Economic Recovery” which has been signed by over 300 organisations: <http://halifaxinitiative.org/content/towards-a-global-leaders-forum>

## **I. Progress on ensuring democratic governance of the economy**

- The OECD standard for tax haven compliance is too weak to be effective and permits ongoing abuse, costing hundreds of billions of pounds a year in lost revenue
- Tax information exchange agreements remain cumbersome and place an undue burden on the victims of tax secrecy rather than those committing malpractice, though the UK is planning to sign a multilateral information exchange agreement with developing countries by the end of 2010
- The UK has worked to set up an OECD tax and development task force to explore a country by country reporting standard however commitments over the outcomes of such a process are needed."
- Reforms of international financial institutions (IFIs), particularly of their governance, fall short of both the G20's stated aims and the welcome recommendations of the Zedillo Commission
- IFIs, along with bodies such as the Financial Stability Board (FSB), need to implement more systematic transparency measures and also fully respect and implement international accountability, environmental, labour and human rights standards
- Comprehensive regulation of the shadow banking system has not been set out; reform should complement a common International Financial Reporting Standard requiring multinational companies to disaggregate their accounts by country
- A charter for truly sustainable economic activity remains to be developed. The core values adopted by the G20 in the Framework for Strong, sustainable and Balanced Growth include reference to social and environmental aims but still need to be translated into concrete policy commitments

### ***PUT PEOPLE FIRST Recommendation 1***

**The Put People First platform recommended to the G20 to compel tax havens to abide by strict international rules and systems of automatic exchange of information, particularly those with strong connections to the UK such as Crown Dependencies and UK overseas territories. The platform asked that the G20 prepare, by November 2009, a proposal for a truly multilateral and automatic tax information exchange agreement that will benefit developing countries and assist those that need help in developing the capacity to make full use of the information that will be available.<sup>3</sup>**

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<sup>3</sup> All recommendations by the Put People First platform can be found at: Put People First Policy paper: Ensuring a response to the economic crisis that delivers democratic governance of the economy for: Jobs: Decent jobs and public services for all Justice: End global poverty and inequality Climate: Build a green economy - [http://www.putpeoplefirst.org.uk/wp-content/uploads/2009/03/Put\\_People\\_First\\_policyplatform.pdf](http://www.putpeoplefirst.org.uk/wp-content/uploads/2009/03/Put_People_First_policyplatform.pdf)

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## **Tax havens**

The G20 heads of state agreed language on tax havens at their 2009 summits. At their April 2009 summit, they declared “We agree to take action against non-cooperative jurisdictions, including tax havens. We stand ready to deploy sanctions to protect our public finances and financial systems. The era of banking secrecy is over”.<sup>4</sup> In September 2009, at the Pittsburgh summit, they vowed that “we are committed to maintain the momentum in dealing with tax havens, money laundering, proceeds of corruption, terrorist financing, and prudential standards. . . . we stand ready to use countermeasures against tax havens from March 2010”.<sup>5</sup>

The G20 delegated to the OECD responsibility for judging what constitutes a current tax haven and the OECD published a list of four non-compliant countries on the day of the G20 April summit. These offending jurisdictions soon said they would comply with the OECD’s code, and were removed from this blacklist. The OECD now claims that more than half of the countries it monitors have “substantially implemented” its guidance, for example by passing new laws, and the rest are moving forward. It points out that more than 250 tax information exchange agreements have been signed, with 200 in 2009 alone.

If this represented a real clean up of tax haven practices it would be a major G20 success story. Yet, the OECD’s compliance test remains too weak and many jurisdictions continue to permit individuals and companies to hide behind veils of secrecy; paying little or no taxes. These taxes are needed more than ever to repair public finances in the UK and across the world. Their loss deprives the developing world of hundreds of billions of pounds every year, an amount that could save the lives of thousands of children each year if made available to programmes fighting poverty and disease.

## **Bilateral and multilateral information exchange mechanisms**

The OECD’s standard model for information exchange is flawed. It is based on signing bilateral tax information exchange agreements, the core of which is self-contradictory. Governments have to submit cumbersome dossiers about their citizens’ suspected tax malpractices if they want to obtain information about them. As a result this system is particularly inadequate for developing countries. Governments only have to sign twelve bilateral Tax Information Exchange Agreements to qualify. This is far too few and allows governments to escape the OECD blacklist partly by making agreements with other tax havens. Over 40% of the agreements signed by Austria, Monaco, San Marino, Liechtenstein and Luxembourg are with other similar jurisdictions. The vast majority of countries are left without recourse.

Apparently recognising the problems with the bilateral information exchange model, G20 finance ministers in their November 2009 meeting in Scotland hinted at “the possible use of a multilateral instrument”. The OECD Global Forum on Taxation – a body with wider membership than the core OECD - has also endorsed a proposal for a multilateral Tax Information Exchange Agreement.

The UK has also announced that by the end of 2010 it will sign a multilateral tax information exchange agreement with developing – mostly African – states. The UK must ensure that all of its crown dependencies and overseas territories are part of

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<sup>4</sup> London G20 summit communique “The Global Plan for Recovery and Reform”, 2 April 2009: <http://www.g20.org/Documents/final-communique.pdf>

<sup>5</sup> Leaders’ statement, The Pittsburgh summit: [http://www.g20.org/Documents/pittsburgh\\_summit\\_leaders\\_statement\\_250909.pdf](http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf)

this. The UK's invitation to other countries to join the same agreement makes it a potentially useful step towards a broad multilateral agreement.

The G20's March 2010 deadline for taking counter-measures against non-cooperating tax havens looks unlikely to yield any action as the OECD has decided that no jurisdiction merits a place on its blacklist. The OECD is now "assessing the extent to which the standards are met in practice, and seeks to close loopholes in implementation", according to the head of its Center for Tax Policy and Administration.

Given the above discussion, the UK and other G20 governments should: (a) Introduce a multilateral agreement for automatic tax information exchange; and (b) press for the OECD-organised peer reviews to include civil society and developing country governments to help expose which jurisdictions are still facilitating tax evasion.

### ***PUT PEOPLE FIRST Recommendation 2***

**The Put People First platform demanded fundamental reform in order to ensure that international financial institutions are properly democratised, made fully transparent and accountable, and respect international standards on human rights, the environment and labour. The platform argued for "a fundamental shift in the transparency and accountability of these institutions so that they operate under a presumption of disclosure and provide opportunities for the meaningful participation of all stakeholders in their decision-making processes".**

#### **Governance reform of the World Bank (WB) and the International Monetary Fund (IMF)**

The G20 leaders in London agreed that "emerging and developing economies, including the poorest, must have greater voice and representation". They committed "to implementing the package of IMF quota and voice reforms agreed in April 2008 and call on the IMF to complete the next review of quotas by January 2011", and looked forward "to further recommendations on voice and representation reforms on an accelerated timescale, to be agreed by the 2010 Spring Meetings". They repeated the agreement that "heads and senior leadership of the international financial institutions should be appointed through an open, transparent, and merit-based selection process", and mentioned an "inclusive process [to generate] further reforms to improve the responsiveness and adaptability of the IFIs".

At the Pittsburgh summit this was spelled out in greater detail. Leaders affirmed that "we are committed to a shift in quota share to dynamic emerging market and developing countries of at least 5% from over-represented to under-represented countries using the current IMF quota formula as the basis to work from", albeit this is clearly not enough. Governments also committed "to protecting the voting share of the poorest" countries in the IMF and World Bank. On the Bank they agreed to move toward "more equitable" voting power, determined through a dynamic formula and committed to a 3% transfer of votes from richer countries to developing countries, to be implemented by April 2010.

The expert commission led by former Mexican president Ernesto Zedillo examined World Bank governance and reported in November 2009. This commission – which had senior representatives from eight G20 countries - came to very strong

conclusions about deficiencies in the Bank's current governance and management. These included multiple difficulties in ensuring who is responsible for key decisions and conflicts of interest that prevent true accountability.

The Zedillo commission recommended 12 specific reforms consistent with Put People First's recommendations. These included reducing the size of the board, eliminating single seat constituencies and placing a ceiling on how many countries one director represents, breaking the link between IMF and World Bank shareholding and introducing automatic adjustments every five years. Parity in voting power between developed and developing countries should be adopted, and current contributions to the Bank worth more than historic ones. The commission's recommendations will be reviewed and discussed by the Bank's shareholder governments by the Spring Meetings in April 2010. The commission pointed out, correctly, that "Only national leaders can break the gridlock on reform of the World Bank Group: meaningful reforms of multilateral agencies are unlikely to be decided anywhere but at the level of heads of state and government". If leaders fail to step up and deliver significant reform during 2010, developing country governments will inevitably continue to build financial reserves as self-insurance and utilise alternative institutions and agreements.

At the IMF, governance reform is proceeding in contravention of existing promises. At the time of the last IMF quota reform in 2008, it was agreed by IMF members that the quota formula would be revised before it was used again. However, the G20 commitment expressly indicates that the current flawed formula would be the basis on which voting shifts would be discussed in 2010. The promised shift does not meet the test of a significant reform; especially as it will continue to ensure that high-income countries maintain much more than half of the voting share. At the end of 2009 the IMF already violated the G20 promise around the selection process for senior management when a Japanese national was selected to replace the existing Japanese deputy managing director without any transparent and merit-based selection process.

### **Greater transparency and accountability**

In September the G20 Pittsburgh summit declared that additional resources for international financial institutions "must be joined to key institutional reforms to ensure effectiveness: greater coordination and a clearer division of labour; an increased commitment to transparency, accountability, and good corporate governance; an increased capacity to innovate and achieve demonstrable results; and greater attention to the needs of the poorest populations."

The World Bank and IMF have updated their transparency policies. The Bank's new policy will come into effect in July 2010. Several types of previously unreleased documents will now be accessible to the public. The World Bank will also publish several types of documents at the same time they are sent to the Board for consideration. The policy establishes the principle that all Bank information should be disclosed unless it falls within a regime of exceptions, but this regime remains excessively broad. The revised policy includes an improved system for information requests, and a commitment to establish an independent appeals panel to review complaints. The IMF's new policy is much weaker, giving countries the option to object to publication.

The World Bank should ensure that its new policy establishes a genuine culture of openness. Other international financial institutions should introduce a policy at least as strong as the World Bank's and introduce processes to ensure they are followed through.

Transparency is only a means to an end of officials demonstrating greater accountability to citizens. There is still a gap of trust between many citizens' groups and the international financial institutions. The institutions need to do more to ensure that their consultation practices result in policy change.

**The Put People First platform demanded “new accountability mechanisms at the World Bank and IMF to ensure that they respect international standards on human rights, the environment and labour rights – for example the ILO core labour standards”.**

The G20 has made no progress on this. Some IFI policies make references to multilateral environmental agreements and core labour standards, but this is not comprehensive or binding.

The unclear status of Bank policies impedes complaints mechanisms such as the Inspection Panel from reaching clear conclusions. The Panel anyway has no power to discipline offending staff, or to oversee implementation of remedial actions.

Furthermore the institutions' staff have legal immunity from prosecution by citizens who feel they have been harmed by their actions or oversights. This means that IFI staff cannot be brought to justice.

The G20 and other governments need to press the IFIs to accept that they must fully respect and implement international standards, and ensure that citizens have access not only to IFI bodies empowered to conduct hearings and oversee remedies, but also to law courts which can ensure justice is done.

**The Put People First platform demanded “reforms of the newly created Financial Stability Board (FSB) so that it meets modern standards of governance, transparency and accountability. The same should be done for financial and accounting standard setting bodies so that all the stakeholder groups that they serve – including governments, suppliers, employees and citizens – can effectively influence their decision making”. Put People First also recommended launching a discussion on a fully inclusive multilateral regulatory authority.**

At the London summit in April 2009, the G20 agreed to establish a Financial Stability Board (FSB) with a strengthened mandate to its predecessor, the Financial Stability Forum (FSF). The Board would comprise “all G20 countries, FSF members, Spain, and the European Commission”, in other words largely those governments represented in London.

At the Pittsburgh summit, the G20 stated that “the International Accounting Standards Board's (IASB) institutional framework should further enhance the involvement of various stakeholders”.

The FSB is responsible for assessing the vulnerability of the global financial system, identifying needed regulatory actions and promote the development of international regulatory and supervisory standards. As the financial crisis and its effects on the real economy spread to developing countries, these are directly impacted by the work of the FSB and its failures to address certain problems. Furthermore, the international standards developed by or under the supervision of the FSB affect the ability of low-income countries and their financial sectors to integrate into the global financial system in a way that fosters their development. Nevertheless, little has been done to give low-income country governments a place in the deliberations of the FSB, or to give these governments, or citizens' groups, access to the IASB.

Therefore vital regulations and rules which are needed to prevent future crisis and move to more equitable financial policies and practices will continue to be drawn up

by a narrow set of individuals. The implication is a negative overall impact on the development and stability of low income countries.

The IASB is a self-appointed body with most members drawn from the accounting profession. It devises the rules covering how companies should produce their annual accounts. More than 100 governments worldwide, including those of the UK and all other member nations of the EU, tend to rubber-stamp their findings into law. When developing or amending standards the IASB publishes discussion papers open for public comment but has no requirement to take notice of the input or justify its decisions. An organisation with this reach and responsibility should have a much more diverse representation to ensure citizens' rights are respected and to be seen as legitimate.

### **A fully-inclusive multilateral regulatory authority**

Neither the G20 nor the UK has launched a discussion on a fully-inclusive multilateral regulatory authority. Instead, the G20 has strengthened the FSB, which only includes institutions from 24 countries plus several international organisations. The FSB seems to be turning into a *de facto* international regulatory authority, as it actively seeks to increase adherence to international standards through periodic peer reviews and its own assessments of national compliance. All FSB members, including the UK, have committed themselves to adhere to international financial standards and to have their national implementation monitored by the FSB and the IMF.

Given the above discussion, the UK and other G20 governments should: (a) adopt reforms of the IFIs consistent with the recommendations of the Zedillo commission; (b) ensure further progress on transparency processes within IFIs, in order to enable policy engagement and accountability for citizens; (c) urgently improve IFIs' mechanisms to achieve international standards of respect for human rights, the environment and labour standards; (d) ensure that standards-setting bodies, including the FSB and IASB, include representation consistent with their regulatory scope and impact; and (e) enable a debate on the merits of an inclusive and explicit, rather than *de facto*, multilateral financial regulatory authority.

### ***PUT PEOPLE FIRST Recommendation 3***

**The Put People First platform recommended making “all financial institutions, financial products and multinational companies transparent and publicly accountable. This will include removing the shadow banking system through proper regulation, introducing country-by-country international accounting standards, and making governance and social and environmental impacts part of listing and reporting requirements for multinationals”.**

### **Outlawing the shadow banking system**

The G20 has led coordinated regulatory action to ensure financial stability. It agreed to subject all “systemically important” institutions and products to consolidated supervision and regulation. In October 2009, the FSB published guidelines for national regulators on how to identify systemically important institutions. However it did not specify regulatory actions and based its analysis purely on stability implications, neglecting the importance of social and environmental goals. The G20 tasked various standard-setting bodies to develop international standards to reduce regulatory arbitrage, including high-level principles for off-balance sheet accounting and for hedge fund regulation. The European Commission has drafted a directive on

alternative investment funds, i.e. hedge funds and private equity funds, which would be binding for the UK to implement. The UK government has and continues to advocate for considerably less onerous regulatory requirements in the directive.

Of particular importance for the regulation of the shadow banking system has been the G20 commitment to enhance regulation of over-the-counter (OTC) derivatives markets in order to increase the share of derivatives traded through central clearing parties and on exchanges. They pledged that “all standardised OTC derivative contracts should be traded on exchanges ... by end-2012”. Various international and European bodies, including the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the OTC derivatives regulator forum and the European Commission, have issued or are currently working on enhanced standards and guidelines for OTC derivatives regulation. The UK authorities aim for greater standardisation of OTC derivative contracts and higher capital requirements for non-centrally cleared derivative trades. However, they strongly oppose requirements for mandatory central clearing and do not see “the need for mandating the trading of standardised derivatives on organised trading platforms”<sup>6</sup>. Furthermore, they advocate that international agreements should not cover all standardised derivative contracts but only those “clearing eligible”.

### **International accounting standards and country-by-country reporting**

The G20 leaders twice called for “high quality accounting standards”. The IASB is working on strengthened accounting standards and released new proposals for country-by-country reporting for extractive industries in April 2010.<sup>7</sup>

A more expansive approach to this issue was suggested at a January 2010 OECD meeting. It urged the OECD to publish guidelines that would encourage companies in all sectors to produce a country-by-country breakdown of their profits, losses and tax payments. The OECD tax and development taskforce is looking into this although there has been no confirmation of this being taken forward to date.

### **The Put People First platform recommended engagement in a full, open and transparent discussion on a charter for sustainable economic activity that reflects environmental sustainability and requires multinationals to report environmental, gender and social impacts of their activities.**

At the Pittsburgh Leaders’ Summit in September 2009, the G20 committed to “maintain our openness and move toward greener, more sustainable growth” and adopted the *Core Values for Sustainable Economic Activity*. The core values include a commitment to “sustainable consumption, production and the use of resources” and a recognition that financial markets need to serve households and the real economy, but also reaffirm a commitment to market liberalisation.

The core values still need to be translated into concrete policy commitments, including a requirement for multinationals to report their environmental, gender and social impacts and to be held accountable for such impacts. In addition, national export credit agencies and international financial institutions should adopt proper assessment and screening procedures to ensure that they do not support

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<sup>6</sup> FSA, HMT, December 2009, Reforming OTC derivatives markets, [www.fsa.gov.uk/pubs/other/reform\\_otc\\_derivatives.pdf](http://www.fsa.gov.uk/pubs/other/reform_otc_derivatives.pdf).

<sup>7</sup> See the discussion paper proposed by the IASB on possible future International Financial Reporting Standard (IFRS) for extractive activities: <http://www.iasb.org/News/Press+Releases/extractive+activities+DP.htm>

transactions and projects that contribute to human rights abuses, unsustainable debt and environmental harm.

Further discussions on concrete policy commitments need to include all countries and stakeholders linking to the United Nations and considering the impact particularly on low-income countries. In particular the core values should be seen as a vehicle for collaboration on low carbon action plans in developed and emerging economies.

Given the above discussion, the UK and other G20 governments should: (a) proceed with existing efforts to standardise and clarify the trade in derivatives – the UK should accept and support these efforts, including proposals to make all derivatives be traded on exchanges and require higher capital requirements for non-centrally cleared derivative trades; (b) utilise the OECD guidelines for international accounting, promoted by the UK, to achieve an International Financial Reporting Standard that includes country-by-country reporting; and (c) engage further with the stated core values in order to develop concrete mechanisms to deliver more sustainable patterns of consumption, production and resource usage as well as make sure they that include mandatory reporting standards on environmental and social impact.

## **II. Progress on providing jobs and public services for all**

- Investment and stimulus programmes have so far shied away from long-term commitments and transformative economic activity, including encouraging more sustainable growth
- UK government investment and stimulus packages have been contradictory, including support for energy intensive industry while emphasising low-carbon transition planning and targets for cuts in greenhouse gas emission
- Efforts to sustain and create decent jobs – such as the UK government’s Future Jobs Fund - have had some success, but much more action is needed to stem the crisis in global labour markets.
- Improved flexibility regarding loan conditionality from the World Bank and IMF in the wake of the crisis has made halting progress, and is yet to be made permanent through policy

### ***PUT PEOPLE FIRST Recommendation 4***

**The Put People First platform wanted a massive investment in transformative action to deliver a low-carbon economy and push other developed countries to do the same. A green new deal is needed to create jobs based on decent work and pay through alternative energy development, sustainable transport systems, and energy saving and conservation. This shift to a low-carbon economy must be a ‘just transition’ based on democratic involvement of those groups most affected by that shift.**

#### **A green stimulus package**

The G20 committed to “move toward greener, more sustainable growth” and “to stimulate investment in clean energy, renewables and energy efficiency and provide financial and technical support for such projects in developing countries”. They committed to phase out inefficient fossil fuel subsidies and called on their ministers to propose strategies and timelines for this at the next summit. Overall, however, they did not agree on specific targets or a timeline.

While governments have passed financial stimulus packages that total approximately US\$ 3 trillion, UNEP reported in September that only a very small proportion of this has actually been spent.<sup>8</sup> According to research by HSBC’s Climate Change Centre, green spending in Europe is considerably smaller than in other regions such as Asia and the Americas.<sup>9</sup> For example, South Korea’s green recovery package was 30 times greater than the UK’s.

To finance the initial phase of the transition to a green economy, Put People First urged the UK government to revise the tax and fiscal measures in the budget; invest 40-50% of the fiscal stimulus in green jobs and green industries, including sustainable transport, energy efficiency and renewable energy programmes; end investment that would lock in high-carbon infrastructure; and stimulate private-sector green investments.

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<sup>8</sup> UNEP, 2009, Global Green New Deal. An Update for the G20 Pittsburgh Summit [www.unep.org/pdf/G20\\_policy\\_brief\\_Final.pdf](http://www.unep.org/pdf/G20_policy_brief_Final.pdf)

<sup>9</sup> See the HSBC report at: [http://www.hsbc.com/1/PA\\_1\\_1\\_S5/content/assets/sustainability/090522\\_green\\_recovery.pdf](http://www.hsbc.com/1/PA_1_1_S5/content/assets/sustainability/090522_green_recovery.pdf)

In July 2009, the UK government launched its *Low Carbon Transition Plan*, alongside three associated strategies: a renewable-energy strategy, a low-carbon transport strategy, and a low-carbon industrial strategy. The main target of the transition plan, a 34% cut in greenhouse gas emissions, falls short of the 40% necessary to keep global temperature increase below 2 °C (see recommendation 11). Regarding renewable energies, the government set a bold target for renewables in overall energy usage - 15% by 2020, and announced the introduction of feed-in tariffs. The industrial and transport strategies, although stressing the importance of a shift, contain few new policies and insufficient funding.

The G20 committed to “implement responsible fiscal policies, attentive to short-term considerations and longer-run sustainability requirements” but it has not made specific reference to environmental sustainability. Only 18% of the green stimulus has been spent in 2009, and the resources committed to green measures amount to 17% of overall fiscal stimuli, falling far short of the 30% called for by UNEP. The UK has allocated 15% of its fiscal stimulus in 2009 towards green measures, far less than the 40-50% Put People First has recommended. The pre-budget report in December 2009 and the budget in March 2010 contained some welcome green measures, including the setting up of a green investment bank. However these were not on the scale required to meet the recommendation.

Reviews of current stimulus packages show that there is a continued focus on stabilisation of the labour market often in carbon-intensive industries and promotion of resource-intensive consumption. For example, many of the measures that were hastily put in place at the start of the recession, including VAT reductions and car ‘scrappage’ schemes, were specifically designed to ‘kick-start’ energy-intensive consumption without creating a just transition plan to shift high-carbon jobs to low-carbon industries.

The financial crisis and economic downturn has burdened the UK with a large budget deficit. To address this savings could be made by cutting spending that would lock in high carbon infrastructure such as road building and tax exemptions for the aviation and shipping industries.<sup>10</sup> This should be done with consideration of impact on jobs and according to the ‘just transition’ principle as explained below. The Government should also deliver a green tax shift, with measures to protect lower income families, as set out by proposals for the Green Fiscal Commission.<sup>11</sup>

### **‘Just transition’ principle**

Put People First demanded that the transition to a low-carbon economy happens under the principle of ‘just transition’ so that high carbon jobs can be made greener or replaced by low/no carbon jobs and working people are not forced to choose between their livelihood and the environment. The government should also demand this to be included in all international agreements on climate change.

The UK government has launched a *Forum for a Just Transition*, where government, union, industry and consumer representatives meet quarterly to work on a transition to a green economy. The UK has consistently advocated, at a senior level, for the inclusion of the ‘just transition’ principle into an international agreement on climate change. The principle has not been mentioned in the Copenhagen Accord, but it is included in the current negotiation text for a *Shared Vision for Long-Term Cooperation*, which is the basis for the next climate summit in December 2010. The

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<sup>10</sup> Green Alliance 2010 Cutting Back on Carbon Spending  
[http://www.green-alliance.org.uk/uploadedFiles/Our\\_Work/Cutting%20back%20on%20carbon%20spending.pdf](http://www.green-alliance.org.uk/uploadedFiles/Our_Work/Cutting%20back%20on%20carbon%20spending.pdf)

<sup>11</sup> Green Fiscal Commission 2009 The Case for Green Fiscal Reform  
[http://www.greenfiscalcommission.org.uk/images/uploads/GFC\\_FinalReport.pdf](http://www.greenfiscalcommission.org.uk/images/uploads/GFC_FinalReport.pdf)

G20 have not spelled out how to design the transition to a green economy, and have not linked their commitments regarding education and employment to it. The UK stimulus package, for example, virtually ignores the issue of 'green re-skilling' in comparison to other EU states; only France provided a specific fund for training.

### **Safeguarding jobs**

At the G20 Pittsburgh summit in September, G20 leaders recognised that “without sustained action unemployment is likely to continue rising in many of our countries even after economies stabilize, with a disproportionate impact on the most vulnerable segments of our population”. They committed to implementing recovery plans that “support decent work, help preserve employment and prioritize job growth”.

Such plans, as called for by Put People First, are working. According to the ILO, some 12 to 14 million jobs have been saved through initiatives such as shorter working time, youth job guarantee schemes, such as the UK Government's Future Jobs Fund, and decent income protection. Countries that have done so, such as Brazil, Australia, Germany and Jordan have weathered the economic storm, while those with deregulated labour markets and limited social protection schemes have not.<sup>12</sup>

But it has not been enough. Since the crisis began, some 34 million jobs have been lost – falling hardest on youth, women and the poor. An estimated 215 million workers and their families have been pushed into extreme poverty by the financial, food and fuel crises – getting by on less than \$1.25 per day.<sup>13</sup> Labour markets are yet to recover, and for many countries unemployment is not expected to reach its peak until well into 2011 at the earliest. With many stimulus packages about to expire, and economy recovery weak, there is a real risk of a double-dip recession with a catastrophic decline in output and employment levels.

The G20 needs to implement properly funded job creation plans that draw on the recommendations in the ILO Global Jobs Pact with the aim of restoring employment and reducing poverty to at least pre-crisis levels. These aims also need to be at the heart of the G20's *Framework for Strong, Sustainable, and Balanced Growth*, - a peer review process of national measures taken to drive growth and rebalance the global economy, overseen by the IMF. Worryingly, it seems that the ILO is not being given the central role in drafting the employment recommendations of this process. Further, the IMF has hinted that it may instead recommend that G20 countries adopt conservative macro-economic measures – a return to business as usual – that hurt the poor and labour markets globally

Given the above discussion, the UK and other G20 governments should: (a) set out a timeline or target to “move toward greener, more sustainable growth”; (b) in the UK, commit new funding and design new policy to ensure that industrial and transport policies are consistent with sustainability goals; (c) include a 'just transition' principle in UK education and labour policies - stimulus packages in particular should aim to take into account their likely impact on transition to a greener economic model; (d) implement properly funded job creation plans that draw on the recommendations in the ILO Global Jobs Pact with the aim of restoring employment and reducing poverty to at least pre-crisis levels; and (e) change the G20 *Framework for Strong,*

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<sup>12</sup> [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_118384.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_118384.pdf)

<sup>13</sup> See the 2010 United Nations general secretary's report on the MDGs, page 5, available online at [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/64/665](http://www.un.org/ga/search/view_doc.asp?symbol=A/64/665).

*Sustainable and Balanced Growth* by putting the ILO at the centre and taking into account the impact on non G20 countries, particularly LICs, as well as the environmental and social angles of economic growth.

### **PUT PEOPLE FIRST Recommendation 5**

**The Put People First platform recommended investment in and strengthening of public provision of essential services to meet universal human rights, including by massively increasing public investment in ecologically sustainable social housing.**

The G20 agreed that they have the “responsibility to invest in people by providing education, job training, decent work conditions, health care and social safety net support, and to fight poverty, discrimination, and all forms of social exclusion”. Towards this end, they have directed their ministers to review the impact of their policies and consider “skills development policies, social protection programs, and best practices to ensure workers are prepared to take advantage of the advances in science and technology”.

The G20 have committed to launching the *G-20 Financial Inclusion Experts Group* and the *G-20 SME Finance Challenge* in order to improve access to financial services for the poor and small and medium enterprises. Here, the G20 partially rely on the private sector, stating that the private sector shall “put forward its best proposals for how public finance can maximize the deployment of private finance on a sustainable and scalable basis”.<sup>14</sup>

There has been no sign of a re-think of the extensive privatisation of public services in the UK. In 2009 the Labour Newcastle Council privatised its metro system and the Conservative Essex Council signed an eight year contract with IBM to deliver all public services in Essex. The UK government has failed to use the opportunity of taxpayer-funded bailouts to re-open Private Finance Initiative (PFI) contracts and renegotiate better rates for the public purse. Instead, they allowed banks to restore their balance sheets by charging relatively high rates of interest for PFI.

The main political parties in the UK propose huge cuts in public services, which are already reflected in the 2010 budget. This can be avoided if the UK government take the necessary steps to ensure that all taxes are paid properly. The tax gap, the difference between the tax the HM Treasury thinks is owed and the tax they actually assess, is estimated at £123bn a year.<sup>15</sup>

Massive investment in affordable and ecologically sustainable social housing is still needed. Although the number of affordable homes increased in 2009, there remains a massive gap between the housing available and the need for it, as there are still 1.7 million households on the council waiting lists. Given the shift in current debates from a fiscal stimulus to budget cuts, it is important to prioritise this need and ensure that spending on housebuilding is not cut.

Given the above discussion, the UK and other G20 governments should: (a) ensure that public provision of essential services is not undermined by an excessive reliance

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<sup>14</sup> Pittsburgh communiqué:  
[http://www.g20.org/Documents/pittsburgh\\_summit\\_leaders\\_statement\\_250909.pdf](http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf)

<sup>15</sup> Richard Murphy, 2010, Tax Justice and Jobs: The business case for investing in staff at HM Revenue & Customs, <http://www.taxresearch.org.uk/Documents/PCSTaxGap.pdf>

on private sector delivery or privatisation; and (b) tackle the widespread problem of insufficient provision of housing in the UK, also a factor in triggering global financial instability more widely, by ensuring that building of social housing is not a victim of inappropriate budget cuts.

### ***PUT PEOPLE FIRST Recommendation 6***

**The Put People First platform recommended sufficient emergency funding to all countries that need it to enable them to stimulate their economies, protect jobs and provide social protection, without damaging conditionality attached.**

#### **Emergency funding**

In April 2009, the G20 said that it had mobilised \$1.1 trillion following the simultaneous challenge of collapsing financial institutions and a universal slowing of growth. Out of this amount, they committed to "provide \$50 billion to support social protection, boost trade and safeguard development in low income countries". They also "reaffirmed" governments' "historic commitment" to Official Development Assistance (ODA) pledges and "recognised the need to increase significantly and urgently the scale and predictability of [climate] finance".<sup>16</sup>

However there has not been extra money available to compensate developing countries for the effects of the crisis, nor additional money to help prevent and deal with climate change.

Governments have agreed around half of the promised \$50 billion in extra finance for low-income countries. This has been achieved mainly through issuing IMF special drawing rights, as well as proceeds from selling IMF gold.

The extra money that governments have claimed is not genuinely additional. Much of the crisis response money that the World Bank and other multilaterals such as the European Commission have made available is money that they would have spent in future years. This "front-loading" means that funding to low-income countries will have to be cut in the next two years unless additional resources are brought forward. The funding is mostly in the form of loans, and therefore not suitable for low-income countries. Less than 20% of the increases in IFI funding is going to those states. The IFIs have in general not managed to change their allocation criteria to make money available on the basis of crisis-response needs rather than "good performance" in previous years.

Little has changed on general aid levels over the last year. A few countries such as the UK and Belgium have increased their funding, while others including Ireland and Latvia have cut aid. France, Germany, Austria Italy, Portugal and Greece are still far off track towards their agreed official development assistance targets, and some other countries are doubtful.<sup>17</sup> In the UK it is important to pass legislation to provide more medium-term security on aid levels.

The G20 said these resources should be used to support growth, social protection and long-term food security. The pledge for a \$20 billion food security initiative first made at the G8 summit in June 2009 and referred to in the September G20 does not seem to have yielded additional financial contributions. The World Bank claims it will

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<sup>16</sup> London communiqué: <http://www.g20.org/Documents/final-communique.pdf>

<sup>17</sup> Also see provisional OECD ODA figures for 2009, OECD DAC April 2009: <http://www.oecd.org/dataoecd/17/9/44981892.pdf>

triple finance for social protection over the next three years, with most of the increase on social safety nets. This money is coming as loans, so some 80% of it is going to middle-income countries.

### **Reforming conditionality**

The G20 welcomed the IMF's Flexible Credit Line and its reformed lending and conditionality framework but it did not make other commitments on conditionality. The UK already took the position that it opposes economic policy conditionality on World Bank lending. There have been no significant policy changes since the G20 London summit.

Some analysts conclude that the IMF's crisis loans have carried lighter conditionality than is generally the case. There is a shift away from conditionality on issues such as privatisation of public services and state-owned enterprises, and the reform of the civil service. Post-crisis, the IMF is focussing its conditionality on banking sector viability, public expenditure, fiscal adjustment, and financial sector reforms. However other evidence suggests that the IMF's crisis response loans are nevertheless forcing many countries to make public spending cuts, freeze wage bills and reduce deficits and subsidies. The IMF remains reluctant for governments to have any flexibility to defer their debt payments. The World Bank has also reduced the conditionality on its crisis lending compared to its normal practices.

These shifts do not represent a conclusive end to the World Bank and IMF pushing liberalisation and privatisation, and should be followed up by decisive policy change with clear institutional incentives to comply. The review for the G20 of the responsiveness and adaptability of the IFIs overseen by Gordon Brown leading up to September 2009 was not done in a sufficiently open and participatory manner, and yielded few firm conclusions.

The IMF still appears reluctant to go further on reducing economic policy conditionality of all kinds, despite the actions of many developed nations and the commitments to ensure conditionality does not deter recovery.

Given the above discussion, the UK and other G20 governments should: (a) support to developing nations should be sustained and increased to take account of the current economic situation, as despite the recognised and legitimate need, little new money in the form of appropriate lending or increased ODA has been forthcoming; and (b) welcome moves to reduce damaging conditionality on support provided in the wake of the financial crisis need to be institutionalised and made permanent through decisive policy change

### **III. Progress on ending global poverty and inequality**

- Little progress has been made toward ODA increases; in reality many countries are not matching their own existing pledges.
- No new moves have been made to address developing countries' debt burdens, despite risks of an aggravated debt crisis. The implication is that some of these countries are getting into new debt arrangements with countries like India and China
- The IMF has sent mixed signals regarding the potential benefits of controls of capital flows, while clear government recognition of their usefulness of is still lacking
- The IMF include an assessment of a financial transaction tax in their analysis of measures for a financial sector contribution to the bail-out costs, but indications suggest that the IMF will struggle to provide entirely objective advice
- UK support for tax on forms of financial transaction is a positive step with widespread support, including amongst other G20 nations.
- International agreements, including trade rules, remain inconsistent with the substance and tenor of financial sector reforms that both the UK and G20 have supported. World Trade Organisation rules remain wedded to uniform financial deregulation and liberalisation, including those advocated by G20 nation delegations

#### ***PUT PEOPLE FIRST Recommendation 7***

**The Put People First platform demanded that the UK and G20 honour the commitment to deliver 0.7% of national income as aid by 2013 at the latest, deliver it more effectively and push for the auditing and cancellation of all illegitimate and unpayable developing country debts.**

A bill enshrining in law the UK commitment to deliver 0.7% of GNI by 2013 was introduced to Parliament yet hasn't been processed due to the UK General Election. The three main political parties all committed to this legislation in their election manifesto. The next Parliament needs to ensure that this bill becomes legislation including strong accountability mechanisms.

The G20 has not announced any new initiative on developing country debt, merely reaffirming previous commitments and reforming the World Bank/IMF Debt Sustainability Framework so that higher debt levels are acceptable for some countries. In effect, this reduces donor responsibility for giving higher levels of grant-aid.

There has been no international move to undertake or support debt audits or to establish a fair and transparent arbitration process. However the Dutch government is preparing a proposal and some governments are making reference to such a mechanism in proposed legislation. The crisis has shown the need for an inter-governmental mechanism to assess and deal with debt problems as they arise.

The "Vulture Funds" bill (Debt Relief (Developing Countries) Bill) has recently received approval by the British parliament. This incorporates some elements of insolvency procedure into debt work-outs, but only for the very poorest countries.

Most of the G20's finance is forthcoming as loans, risking another major new debt crisis in future years.

Given the above discussion, the UK and other G20 governments should: (a) deliver on the international aid spending target of 0.7 % of GNI; (b) ensure that G20 support to developing countries relies less on conditional loans and forms part of a new debt policy which is designed to better serve developing countries' needs without exacerbating already-heavy existing debt burdens; and (c) immediately support debt audits, improved and binding lending standards for G20 countries, and the establishment of a fair and transparent arbitration process for international sovereign debt.

### ***PUT PEOPLE FIRST Recommendation 8***

**The Put People First platform wanted the G20 and UK to ensure that poorer states are allowed to take responsibility for managing their economies. In particular, they may need to control cross-border capital flows, and should not be penalised or discouraged from doing so.**

The G20 have reaffirmed that they “will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries”. The IMF has repeatedly argued in the previous months that it is not opposed to capital controls and that they might actually be necessary in some Asian countries due to new inflows of hot money. However, it reacted negatively towards capital controls introduced by Brazil in October 2009. In a staff position note, IMF economists argued that capital controls could be used in some cases by emerging market governments as a shield from unwanted capital flows. This, however, is not yet agreed IMF policy and still needs governmental recognition. The UK has not altered its position on capital controls nor advocated a more balanced stance from the IMF.

Agreement to implement a currency transaction tax as a mechanism to reduce speculation and raise revenues for development programmes is still lacking. The UK could unilaterally institute a currency transaction tax on sterling and examine other sources of innovative finance to help raise resources for developing countries to counter the effects of the crisis and invest in economic development, including social protection and public services.

### **Financial transaction taxes**

The G20 has asked the IMF to prepare a “range of options” for “how the financial sector could make a fair and substantial contribution toward paying any burdens associated with government interventions” to counteract the financial crisis. Gordon Brown has advocated the idea of a financial transaction tax during the financial ministers' meeting in St. Andrews in September 2009. Being initially very sceptical, the IMF decided to include a detailed assessment of the tax in their report to the G20 after the proposal had been backed by European leaders. The IMF is leaning, however, towards a bank levy, like the one proposed by the Obama administration, rather than a transaction tax.<sup>18</sup> A transaction tax, however, would be preferable as it puts in place a structural constraint on harmful excessive speculation rather than providing an insurance for it.

The UK is part of a group of twelve countries which participate in the *High-Level Taskforce on International Financial Transactions and Development*. The group and

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<sup>18</sup> Read more about the IMF proposal: <http://news.bbc.co.uk/1/hi/business/8633455.stm>

a supporting expert committee were set up in October 2009 to assess the feasibility and advisability of a financial transaction tax. It will publish a report to be discussed in the *Leading Group on Innovative Finance for Development* in May 2010. This group works together with the task force on innovative financing for health systems, co-chaired by Gordon Brown and Robert Zoellick.

Given the above discussion, the UK and other G20 governments should: (a) clarify their position vis-à-vis capital controls, and ensure that recent acceptance of their legitimacy is made into the permanent position of the G20 and IFIs; (b) take advantage of the unique platform for implementation of financial transaction taxes that the G20 and EU represent – though simultaneous international coordination would be preferable, its absence should not be an obstacle for those nations able to impose such a tax immediately and unilaterally, for example a currency transaction tax on sterling – and use some the resulting proceeds for development finance.<sup>19</sup>

### ***PUT PEOPLE FIRST Recommendation 9***

**The Put People First platform recommended that the UK should stop pushing developing countries to liberalise financial services and deregulate the financial services industries, alongside agricultural and wider service sectors, via the WTO or EU regional and bilateral trade negotiations. There should be no attempt to rush through a conclusion of the WTO Doha Round – a deal that developing countries have rejected several times due to concerns at the potential impact on their economies.**

The G20 and the UK government have been advocating the conclusion of trade deals as one of the solutions to the economic recession and the G20 has reaffirmed their determination “to seek an ambitious and balanced conclusion of the Doha Development Round in 2010”, although this seems unlikely to be achieved. The EU and US have so far blocked any discussion about the consequences of the financial crisis and their bail-out packages for developing countries. There is no evidence to suggest that these and other concerns expressed by the G77 have been taken into account or that considerable thought has been given to developmental needs, environmental sustainability and human rights.

In the WTO trade talks as well as the EU negotiations on free trade agreements, the EU is still aggressively advocating clauses that require developing countries to deregulate their financial sectors and liberalise trade in financial services. These requirements prohibit measures that the European countries themselves have considered or implemented in their fight of the financial crisis. So far, the UK has been one of the main players pushing for further liberalisation and deregulation, including in the current EU-India trade negotiations.

Given the above discussion, the UK and other G20 governments should: Cease placing pressure on developing countries to open up their financial sectors to premature and destabilising forms of competition, including through the WTO GATS agreement and free trade agreements and Economic Partnership Agreements.

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<sup>19</sup> Read more about the campaign on a financial transaction tax: <http://robinhoodtax.org.uk/>

#### **IV. Progress on building a green economy**

- The UK reform proposals have failed to integrate environmental and social concerns into financial sector regulation
- While being among the countries pushing for higher commitments in green house gas emission cuts, the UK did not commit itself to the necessary 40% cut
- The UK failure to ensure a fair deal was achieved in Copenhagen

#### ***PUT PEOPLE FIRST Recommendation 10***

**In addition to the green new deal (recommendation 4), the put people first platform asked for ensuring a massive investment in transformative action to deliver a low-carbon economy, create robust regulatory requirements and financial incentives at national level and push for them at international level to create a green economy.**

Although environmental and social aspects are included in the *Core Values for Sustainable Economic Activity* adopted by the G20 (see recommendation 3), they have not linked these to their reform commitments regarding financial policies and regulation. Similarly, the UK government has not included environmental and social aims into regulatory objectives. Although it recognises negative social externalities and market failures to deliver social investment, its white paper for financial reform from July 2009 proposes only the creation of a social investment bank, rather than reforming regulation so that the financial sector as a whole contributes to a green and just transition. Regarding publicly owned investment holders such as local government pension scheme funds and the UK Financial Investments Ltd, the government agreed to consider the call by civil society to sign the UN-backed *Principles for Responsible Investment*.<sup>20</sup>

Given the above discussion, the UK and other G20 governments should: (a) Ensure that there is greater coherence in different spheres of reform; the UK and other G20 states have yet to credibly incorporate green economy goals into financial and other reform measures, risking the feasibility of environmental targets.

#### ***PUT PEOPLE FIRST Recommendation 11***

**The Put People First platform wanted a demonstration of global leadership by pushing for a fair and adequate global deal at Copenhagen to agree substantial, verifiable cuts in greenhouse gases, with rich countries leading the effort, which will limit global average temperature increases well below 2°C.**

Although the G20 had reiterated in Pittsburgh that they will “spare no effort to reach agreement in Copenhagen”, the summit failed to produce an ambitious, fair and binding agreement. The independent expert committee advising the UK government, the Committee on Climate Change, had recommended that the UK reduces emissions by 42% by 2020 if an international agreement is reached at the UN climate

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<sup>20</sup> <http://www.unpri.org/>

summit in Copenhagen<sup>21</sup>. In its energy white paper, the *Low-Carbon Transition Plan* published in July 2009, the UK government has committed to a target of only 34% by 2020 compared to 1990 levels, and has thus failed to send a clear signal of the UK's leadership in this respect.

The UK transition plan does not contain a commitment to limit the use of carbon off-setting though Put People First called for three-quarters of cuts to be from domestic emissions. This is problematic because off-setting creates disincentives to the transformation of high-carbon industries.

Given the above discussion, the UK and other G20 governments should: (a) push for an ambitious, fair and binding international climate change agreement through the UNFCCC; (b) explore the size of the gap between the pledged emissions targets and actions and the emissions reductions needed to be compatible with the Copenhagen Accord's agreed <2°C goal, and enact policies and measures that would close the gap; and (c) ensure that all existing and proposed loopholes that threaten environmental integrity are closed, including hot air, offsetting, double counting and accounting in the Land Use, Land-Use Change and Forestry sector that does not account for what the atmosphere sees.

### ***PUT PEOPLE FIRST Recommendation 12***

**The Put People First platform recommended that G20 governments should commit to sufficient, substantial, verifiable new resource transfer from North to South, additional to ODA, to support resilient adaptation and sustainable development in poor countries.**

Some finance has been pledged for transfer to developing countries to help them invest in low-carbon technology and measures to reduce the impacts of climate change. At Copenhagen developed countries committed to provide new and additional resources of close to \$30 billion over the period 2010 –2012, and up to \$100 billion a year by 2020 from developed countries to support the growth of clean technologies in the developing world.

Specific country pledges add up to a maximum of \$28 billion, and this with conditions and limitations. Financing pledges for 2010-12 include about \$15 billion by Japan whilst the United States is likely to provide more than \$1 billion for climate aid in 2010.

Despite years of pledges less than 10% of money rich countries are making available for climate change adaptation has actually reached poorer countries<sup>22</sup> Much of the EU's funding has simply been re-pledged from existing development assistance, most of Japan's funding is loans, and many of the offers have conditions attached which may complicate disbursement. There is as yet no agreed source of predictable financing to generate the post-2012 financing. The High Level Panel co-chaired by Gordon Brown will need to make interim recommendations before the June session of the UNFCCC and to finalize its report before Cancun, so that it can be presented at the sixteenth Conference of Parties.

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<sup>21</sup> Committee on Climate Change, 2008, Building a low-carbon economy – The UK's contribution to tackling climate change. The First Report of the Committee on Climate Change, <http://www.theccc.org.uk/reports/building-a-low-carbon-economy>

<sup>22</sup> The Guardian *Rich Nations Failing to Meet Climate Change Pledges* <http://www.guardian.co.uk/environment/2009/feb/20/climate-funds-developing-nations>

G20 countries urgently need to increase and implement their pledged climate finance, ensure it is new and additional and spent under the aegis of the UNFCCC Conference of the Parties.

Given the above discussion, the UK and other G20 governments should: (a) honour pledges made for new, additional and verifiable resource transfer from North to South for the purposes of climate adaptation and mitigation, and to support sustainable development in poorer countries; ensure this money is governed by and fully accountable to the UNFCCC; and (b) honour UK pledges to support developing countries facing the consequences of climate change with assistance intended to go beyond official development assistance and through grants rather than loans.

## Acknowledgements

This briefing was written to assess the progress of the UK government and the G20 towards the 12 recommendations put forward in the *Put People First* paper and the “amended recommendations” contained in *Beyond the London Summit*.

This briefing paper has been produced by Sargon Nissan and Nicola Steuer of the new economics foundation, Peter Chowla of the Bretton Woods Project and Elvira Kanichay of Bond, the UK membership body of international development organisations, with the assistance of Barbara Sennholz and Alex Wilks.

We would like to thank the following people for their valuable contributions and inputs to this paper: David Hillman, Julian Oram, Philip Pearson, Ruth Potts, Sanya Smith, Helena Viñes Fiestas, Robert Nash, Sophie Powell, Doug Parr, John Medhurst, Enrico Tortolano, Luke Wreford, Clare Groves, Martin McIvor, Margie Jaffee, Benjamin Moxham and Jesse Griffiths.

This paper has been produced with the financial assistance of UK civil society organisations and the European Union.

### **Disclaimer:**

The contents of this document are the sole responsibility of the organisations that produced it, and all efforts have been made to ensure it is accurate. However, the fast-moving nature of international reform means that some of the information in the paper may be out of date by the time of publication. The information was compiled in March and April 2010 and is believed to be accurate as of 15 April.

This paper and its contents can under no circumstances be regarded as reflecting the position of other organisations or the European Union.



<http://www.bond.org.uk>

<http://www.brettonwoodsproject.org>

<http://www.neweconomics.org>

<http://www.stopclimatechaos.org>

<http://www.tuc.org.uk>

## **Appendix A: Put People First Recommendations, 2009<sup>23</sup>**

### **Put People First: Ensure democratic governance of the economy**

1. Compel tax havens to abide by strict international rules.
2. Insist on fundamental governance reform of the World Bank and International Monetary Fund (IMF).
3. Make all financial institutions, financial products and multinationals transparent and publicly accountable.

### **Jobs: Decent jobs and public services for all**

4. Ensure a massive investment in a *green new deal* to build a green economy based on decent work and fair pay.
5. Invest in and strengthen public provision of essential services.
6. Work to ensure sufficient emergency funding to all countries that need it, without damaging conditionalities attached.

### **Justice: End global poverty and inequality**

7. Deliver 0.7% of national income as aid by 2013, deliver aid more effectively and push for the cancellation of all illegitimate and unpayable developing country debts.
8. Ensure that poorer states are allowed to take responsibility for managing their economies, including controlling cross-border capital flows.
9. Stop pushing developing countries to liberalise and deregulate their economies, and do not attempt to rush through a completion of the Doha trade round, a deal that developing countries have rejected several times.

### **Climate: Build a Green Economy**

10. In addition to the green new deal (recommendation 4), introduce the robust regulatory requirements and financial incentives needed to deliver a green economy.
11. Push for a deal at Copenhagen to agree substantial, verifiable cuts in greenhouse gases, which will limit temperature increases to well below 2°C.
12. Commit to substantial new resource transfer from North to South, additional to Overseas Development Assistance (ODA), to support adaptation and sustainable development in poor countries.

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<sup>23</sup> <http://www.putpeoplefirst.org.uk/wp-content/uploads/2009/03/Put-People-First-policyplatform.pdf>

## **Appendix B: Beyond the London Summit; Recommendations October 2009<sup>24</sup>**

### **Put People First: Ensure democratic governance of the economy**

**1** Prepare, by the G20 finance ministers meeting in November, a proposal for a truly multilateral and automatic tax information exchange agreement that will benefit developing countries and assist those that need help in developing the capacity to make full use of the information that will be available.

**2** Insist that new international accounting standards include a provision for country-by-country reporting of all accounts information for all multinational companies.

**3** Publicly push for reforms of the governance of the World Bank and the IMF to be completed ahead of schedule – ensuring that developing countries and developed countries have parity of voice and vote at the Bank, and that the IMF institutes a double majority decision making system for all decisions. This year there must be a fundamental shift in the transparency and accountability of these institutions so that they operate under a presumption of disclosure and provide opportunities for the meaningful participation of all stakeholders in their decision-making processes.

**4** Demand reforms of the newly created Financial Stability Board (FSB) so that it meets modern standards of governance, transparency and accountability. The same should be done for financial and accounting standard setting bodies so that all the stakeholder groups that they serve – including governments, suppliers, employees and citizens – can effectively influence their decision making.

**5** Insist on new accountability mechanisms at the World Bank and IMF to ensure that they respect international standards on human rights, the environment and labour rights – for example the ILO core labour standards.

**6** Engage fully, openly and transparently in the discussions on a charter for sustainable economic activity, ensuring that it reflects environmental sustainability and that it includes a binding requirement that environmental, gender and social impacts must be part of listing and reporting requirements for multinationals in all countries.

**7** Reform regulation in the UK so that all financial firms, markets and products are not just registered, but properly regulated; and ensure that discussions on launching a fully-inclusive multilateral regulatory authority commence at the earliest possible time.

### **Jobs: Decent jobs and public services for all**

**1** Immediately revise the fiscal and tax measures in the budget to launch a green new deal and create a green recovery by investing 40-50% of the fiscal stimulus in green jobs and green industries, including sustainable transport, energy efficiency and renewable energy programmes; ending investment in harmful projects that would lock in high-carbon infrastructure; and stimulating private-sector green investments.

**2** Invest immediately in building at least 100,000 new environmentally sustainable social homes within 2 years and retro-fitting the entire existing stock of social housing to improve its energy efficiency. This will mean giving local authorities the powers

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<sup>24</sup> <http://www.putpeoplefirst.org.uk/wp-content/uploads/2009/06/Put-People-First-beyond.pdf>

and resources they need to step up council house-building programmes as well as providing additional support to Housing Associations.

**3** Work under the principle of 'just transition' in the creation of a low-carbon economy so that high carbon jobs can be made greener or replaced by low/no carbon jobs and working people are not forced to choose between their livelihood and the environment. The government should also demand this to be included in all international agreements on climate change.

**4** Increase funding for nationally-developed comprehensive social protection schemes in developing countries ensuring that they reach the poorest and most vulnerable, including by revising the World Bank's IDA allocation system so that it incorporates need as a factor and developing innovative sources of finance such as a currency transaction tax.

**5** Demand that international institutions such as the EU, World Bank and WTO end the imposition of liberalization and privatisation models at a global level, as we have seen with the European services directive and the promotion of PPPs in developing countries.

**6** Take a leadership role at upcoming meetings on UN, G8, EU and G20 level to push other countries to provide sufficient grant-based resources for developing countries .

**7** Demand an end to the IMF's practice of forcing damaging economic policy conditions that will worsen recessions and constrain investment in public services on countries that go to it for stand-by agreements and poverty reduction and growth facility loans.

### **Justice: End global poverty and inequality**

**1** Leverage the UK's leading position on aid to ensure that other donor countries do not abandon their aid commitments in these challenging times. At the 2009 G8 Summit, G8 leaders need to reaffirm their promises from Gleneagles to increase aid by \$50 billion a year by 2010 and double aid to Africa and agree binding timetables to achieve that as well as a mechanism for monitoring progress against promises.

**2** Take a lead internationally in establishing a fair and transparent international debt arbitration mechanism to deal with sovereign debt workouts; cancelling remaining unpayable debts; and auditing debts owed to the UK with a view to cancelling those deemed illegitimate due to irresponsible lending. Ensure that reference to this arbitration mechanism is included in the discussion on the charter for sustainable economic activity.

**3** Institute a currency transactions tax on sterling to help raise resources for developing countries to counter the effects of the crisis and invest in economic development, including social protection and public services; and examine other sources of innovative finance.

**4** Recognise that open capital markets are not always positive, especially for developing countries, and ensure that the IMF begins delivering sound advice to developing countries as to how that can institute appropriate and effective capital controls.

**5** Immediately cease all bilateral and regional negotiations with developing countries that would create further financial services liberalisation, and begin rolling back

existing agreements that prematurely pushed financial services liberalisation.

**6** Re-orient regional trade policies to ensure they prioritise development needs, environmental sustainability, human rights and women's rights, and commit to a full and public review of the concerns expressed by developing countries around the DohaWTO negotiations prior to any new attempts to kick-start global trade talks.

### **Climate: Build a green economy**

**1** Make sustainability criteria central to investment practice (for example, by compulsory carbon reporting) at both national and international level: Regulatory requirements should include reporting of risks incurred by financing carbon-intensive or ecologically damaging business activities. Pension funds and other investors should be incentivised to include environmental, gender and social impacts and governance risks in their business practices.

**2** Commit to reducing emissions to levels that will ensure that global temperature increases stay well below 2°C. Current science demonstrates that this will require a peak in global emissions well before 2020. For developed countries this means an aggregate cut of at least 40% by 2020 from 1990 levels. The UK should commit that at least three-quarters of its fair share of these reductions comes from cuts in domestic emissions.

**3** Ensure that a global climate deal provides adequate mechanisms to recognise and address the responsibilities of developed countries with respect to the impact of our consumption.

**4** Provide clear commitment to a support package for adaptation and mitigation in developing countries, by which adequate finance, technology and capacity building support is provided by developed countries in a timely fashion. Total developed country finance should be at least €110 billion each year by 2020 and the UK should honour its commitment to make this additional to existing ODA commitments.

**5** Make a clear statement that the UK insists that the governance mechanism for climate finance will be made fully accountable to the UNFCCC.