



President Barack Obama
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500
United States of America

14 September 2009

Dear Mr. President,

In the UN Conference on the World Financial and Economic Crisis and Its Impact on Development, last June, the world's governments unanimously recognized the tremendous proportions and dramatic human and social costs of the current economic turmoil, especially on developing countries, and reached agreement as to how to deal with its consequences. The achievement of consensus is a positive step forward but it in itself is not enough; concerted and bold actions need to follow. In CIDSE's view, the Group of 20 should take responsibility for the rapid implementation of the set of actions agreed upon by the world community at the UN conference and extend the scope of its decisions to include support for low-income countries according to their needs to allow progress towards the Millennium Development Goals (MDGs).

In view of the upcoming G20 Summit on 24-25 September 2009 in Pittsburgh, USA, CIDSE, an international alliance of Catholic development agencies representing a broad transatlantic constituency, urges your government to take a strong stance for immediate support of vulnerable developing countries for poverty reduction and sustainable green economic development as well as for a long-term reform of the global economic and financial system. Additionally, in the face of the unfolding climate crisis and with less than three months to go until the Copenhagen climate summit, developed and emerging countries should manifest unambiguous political will to bring negotiations toward an effective and equitable new global climate agreement within the respective UN process.

In this regard, CIDSE deems the following measures indispensable:

Strengthening international tax cooperation and combating capital flight

In addition to the crisis-related resource crunch, capital flight from developing countries, often flowing through tax havens, continues to squeeze states' budgetary space. According to a recently released report by a Norwegian Government Commission on Capital Flight from Poor Countries, illicit capital outflows correspond to about 10 times the total development assistance going to these countries, which negates not only the impact of international ODA but also individual countries' own efforts in combating poverty. These resources are of vital importance to developing nations struggling to reach internationally agreed development goals, including the MDGs. Therefore the Group of 20 should:

- Adopt and implement without delay joint, effective and coordinated measures against tax havens and uncooperative secrecy jurisdictions based on an international agreement. Such

measures should target secrecy jurisdictions themselves, but above all they should target trans-national companies, banks, rich individuals who use them.

- Call on the International Accounting Standards Board to adopt country by country reporting for transnational corporations (TNCs) in order to eliminate detrimental transfer mispricing practices and increase transparency of TNC operations.
- In order to ensure traceability of tax evasion, effective international action needs to be based on mandatory and automatic exchange of information about taxable incomes of countries' citizens which is to be enforced by multilateral agreements. It needs to bring transparency into company groups and networks of subsidiaries, inter alia through mandatory registration of trust's beneficial owners and strengthen legal responsibility of financial intermediaries.
- Promote an international tax authority such as a UN Intergovernmental Tax Committee charged with ensuring global coordination of measures against illicit capital outflows and developing a code of conduct on combating tax evasion and avoidance.
- Explore innovative sources of finance such as international taxes on financial transactions to create additional financial resources for development as well as contribute to the stabilisation of global financial and economic system.

Preventing a new debt crisis

As a direct consequence of the crisis many developing countries are confronted with the imminent threat of sovereign debt defaults. Even before the recession, nearly forty countries that are most vulnerable already required substantial debt cancellation. These countries could be joined by many others currently facing severe declines in public revenue and hardened debt terms as a result of the crisis. The Group of 20 should call for an urgent and comprehensive response to the sovereign debt situation, including:

- Short-term stabilization financing arrangements for low-income countries should be primarily based on grant terms. A mechanism should be in place to ensure that they can use Special Drawing Rights without incurring interest charges.
- A comprehensive and binding international framework for sovereign debt should be created that allows for an orderly, timely and fair response to sovereign debt default situations and operationalizes fair burden sharing of both lender and borrower in order to prevent unsustainable indebtedness in the future.
- Support to UNCTAD's call for a three year debt moratorium, to take effect immediately.
- Short-term stabilization lending arrangements for low-income countries should not generate new indebtedness but rather be based on grant terms. A mechanism should be in place to ensure they can use Special Drawing Rights without incurring interest charges.

Global governance reform and financial regulation

The current crisis has brought to light the unsustainability of the global economic governance system with its institutions, and significant gaps in the governance of private capital flows. As Catholic agencies, we believe that the crisis response should be embedded in a new framework for international financial regulation in which the human rights of people and the environment, not banks or business, are at the center of economic rule- and policy-making. The Group of 20 should:

- Support effective guidelines, including requirements of transparency, broad stakeholder participation and citizen control, to guide the composition and functioning of all bodies that set financial standards meant for universal application. These financial standards should be informed by broader societal interests rather than those of financial actors alone.
- Champion the creation of a UN Global Economic Council tasked with guaranteeing international economic and financial coordination and provision of policy consistency between major multilateral economic organizations and financial standard-setting bodies.
- Call for the governance structures of the World Bank and the IMF to undergo radical reform, with an increased role for basic votes and substantial revision of the quota formula guided by the political objective of granting developing countries fair representation in

decision-making structures. Additionally, to increase the participation of developing countries and breadth of coalitions inside these institutions, at least the most significant decisions should be taken by double majorities. The heads of the Bretton Woods Institutions should be selected through open, transparent and merit-based selection processes, with due regard to gender equality and geographical and regional representation.

- Have credit rating agencies regulated and monitored by national governments in whose jurisdictions they operate, and remove the legal incentives to rely on credit rating agencies.
- Replace banking supervision relying on market-based incentives for risk management by a new framework for cooperation on international banking supervision that provides greater space for local authorities' intervention in light of, inter alia, their assessments of systemic risks, needs for countercyclical regulation of capital and implementation of access to credit policies.

Climate finance

The human and financial costs of runaway climate change threaten to overshadow the current financial crisis if decisive action to halt global warming is not taken now. Whilst the UNFCCC must remain the primary intergovernmental forum for decision making on climate change, the US government should ensure that the Group of 20 contributes constructively to bringing negotiations forward toward an effective and equitable new global climate agreement, by expressing clear support there for the following:

- The provision by developed countries of at least €110 billion per annum public financing for climate action in developing countries, with the EU's share estimated to be at least €35 billion per annum. This figure must be additional to ODA commitments, and additional and separate to carbon market finance.
- Mechanisms that generate sufficient, predictable and secure new public financing for climate action in developing countries. Innovative financing options that internalise the cost of environmental damage of goods and services should be prioritised. Financing under the post-2012 agreement must be under the authority of and fully accountable to the UNFCCC Conference of Parties.
- Mobilisation of near-term funding for the implementation of urgent adaptation needs and capacity building.

By supporting the above set of concrete, achievable reform proposals, the US government can demonstrate commitment to transforming the international economic architecture into a just and sustainable system built on fair rules and providing the basis for development and prosperity of all the world's countries.

Sincerely,



Bernd Nilles
Secretary General
CIDSE



James E. Hug
President
Center of Concern

CIDSE is an international alliance of Catholic development agencies working together for global justice. Its membership consists of: Bridderlech Deelen (Luxembourg), Broederlijk Delen (Belgium), CAFOD (England & Wales), CCFD (France), Center of Concern (USA), Cordaid (The Netherlands), Development and Peace (Canada), Entraide et Fraternité (Belgium), Fastenopfer (Switzerland), FEC (Portugal), KOO (Austria), Manos Unidas (Spain), Misereor (Germany), SCIAF (Scotland), Trócaire (Ireland), VnM-FOCSIV (Italy).