



OXFAM MEDIA BRIEFING June 2012

Oxfam at the G20 in Mexico:

G20 must live up to pledges for fairer and stronger growth

In 2009, G20 leaders launched a framework for “strong, sustainable and balanced growth”. That framework has failed to deliver. Three years on, income inequality globally is dangerously on the rise while poor countries’ reserves have been depleted. They’re now also reeling from slashed aid budgets, squeezed spending on health and education, and volatile food prices – all with devastating effects for the poorest. Meanwhile, 18 million people in the Sahel region of West and Central Africa are threatened by a severe food crisis. Ahead of their summit in Los Cabos, Mexico, international agency Oxfam is urging G20 leaders to take immediate steps to protect the world’s most vulnerable citizens and ensure the benefits of growth are more evenly spread. The G20 must forge an inclusive plan to tackle poverty, hunger, and inequality. To do this, they must target four key areas:

- *the broken global food and finance systems*
- *tax dodging and transparency*
- *innovative financing for climate change and development*
- *social sector spending*

Poor countries have reached the limits of their financial ability to defend themselves against the global crisis caused by the rich world. Their reserves depleted, they’re now also having to cope with slashed aid budgets, squeezed spending for health and education and high food prices. Gross capital flows to developing countries plunged to \$170 billion last year compared with \$309 billion in 2010¹. Major donors’ aid to developing countries fell by \$3.4bn in 2011, the first aid cuts in more than 14 years. Aid in 2011 was at least \$16 billion short of the G8’s commitment to increase aid by \$50 billion a year by 2010². The developing world lost \$903 billion in illicit outflows in 2009³, which could have boosted their economies and reduced poverty. The UN has raised less than half of the \$724m it needs to mount an effective response to the Sahel food crisis. Right now, one in seven people around the world goes to bed hungry every night – almost one billion people.

Back in 2009, G20 leaders made bold promises to tackle the crisis they called “the greatest challenge to the world economy in our generation.” They pledged financial support for the world’s poorest and most vulnerable, promised to tackle tax havens that were depriving

¹ *Global Economic Prospects*; 2012; World Bank

² Oxfam calculations from G8 Camp David Accountability Report: *Actions, Approach and Results*; May 2012

³ *Illicit Financial Flows from Developing Countries Over the Decade Ending 2009*; December 2011; Global Financial Integrity

governments of desperately needed revenues, and launched a framework for “Strong, Sustainable and Balanced Growth.”

These pledges have not been met. The G20 is failing the blameless bystanders: people most at risk of losing their livelihoods and most likely to be pushed into poverty. G20 leaders now again meet against a backdrop of continuing economic crisis, but with nothing substantial to show for their promises of a better, stronger and more balanced global economy.

The spectres of Greece leaving the Eurozone and the European debt crisis’ threat to global financial stability will more than likely dominate talks in Los Cabos. But it is vital that leaders do not forget the most vulnerable and least responsible for the ongoing crisis.

Now more than ever, the G20 must confront the systemic problems that are stifling economic recovery and stalling sustainable and inclusive growth, and which have devastating consequences for those already living in absolute poverty. To keep its credibility as the leading global economic forum, the G20 must prove its commitment to strong, sustainable and balanced growth for all by:

- Committing to take action on fixing the broken food and finance systems
- Clamping down on tax dodging and improving tax transparency
- Raising money for increased public spending and support to the poorest by taxing the financial sector and introducing a carbon price on international shipping, and
- Investing in policies like free and public health and education that reduce inequality and create a fairer system for all, now and in the future.

What Oxfam wants from the G20

The G20 is the driving force behind the world’s economic decisions. Its agenda for strong, sustainable and balanced growth requires that it forge an inclusive plan to tackle poverty, hunger, and inequality. To do this, Oxfam argues the G20 must take urgent action on the following:

1. Food price volatility and food security

Poor people often spend more than half their incomes on food, and food prices are a matter of life and death to many in the developing world. The food security of millions is under threat as global food prices remain high and volatile, despite the action plan endorsed by the G20 in 2011. The G20 persists in failing to address the most important drivers of the food price crisis: increased demand for biofuels, financial speculation on commodities, and climate change. Most urgently, 18 million people in the Sahel now face a severe food shortage. This is on top of the nearly billion worldwide who already go hungry, failed by a broken food system.

Droughts are natural, but hunger is man-made. Investing now in people’s resilience to crisis will help break the vicious circle of hunger in the Sahel and beyond. The G20 needs to act on immediate needs, help people recover, and invest to make people less vulnerable, prevent future crises and ensure sustainable development.

The G20 has a responsibility to address key global economic problems that keep people hungry: lack of investment in small-scale agriculture that is vital to millions of poor people, volatility in the price of basic food commodities, and the growing phenomenon of land-grabs by foreign companies in poor countries.

When G20 leaders meet in Los Cabos, they will debate how to increase food security, manage food prices and govern markets to protect against future food crises. To secure a more reliable food supply for the people who desperately need it, the G20 must:

- increase transparency in commodities and futures markets,
- support a system of emergency food reserves,
- regulate financial speculators to curb excessive speculation,
- scrap damaging biofuel policies and harness agriculture to produce food rather than fuel,
- take action to tackle land grabs that leave the poorest without compensation or food security, and
- invest more in small-scale food producers.

Oxfam spokesperson Carlos Zarco said: “Protecting poor people from food price hikes and spikes must be a high priority for the G20. High and volatile food prices prevent millions of people from escaping poverty, and have long-term impacts on health and education. No parent should have to choose between feeding and sending their child to school.”

2. Growth that works for people

Income inequality is dangerously on the rise across the G20. Trickle-down economics has not delivered results, and the issue of income inequality is rising up the political agenda. In G20 member countries alone, only four have managed to reduce inequality gaps in the last two decades.⁴ The OECD warns the gap between rich and poor has reached its highest level in more than 30 years, and cautions that without a comprehensive strategy for inclusive growth, that inequality gap will widen. But this trend is not inevitable: governments can and should act⁵.

G20 policies now need to concentrate on ensuring that growth is fair and boosts equality, so that its benefits reach people living in poverty. It can do this by taking action to regulate the financial system, ensuring the financial sector pays for the costs of the crisis it has caused and prioritizing investment in sectors like health and education. These are the policies that will deliver results on equitable, strong and balanced growth.

- As a first step G20 countries must publicly and annually report progress on reducing inequality and make inequality reduction a measure of progress alongside GDP growth. They should task the IMF with doing the same.

The G20 should also promote strong equitable growth by:

- backing policies to create fairer taxation systems, where rich companies and individuals pay their fair share, and
- supporting increased investment in high-quality public health and education services. These are crucial safety nets for the poorest and those falling on hard times, as well as crucial investments in future productivity and a fairer society.

Zarco said: “If the G20 wants shared and sustainable growth, they should invest more in health and education which are the bedrock of fairer and more equal societies. Countries like Brazil have reduced poverty and inequality, so the G20 knows this is achievable with political will.”

3. Tax dodging

Developing countries are losing billions every year that would provide a vital boost to their economies and could be spent on reducing poverty. For every aid dollar they receive, developing countries lose seven to ten dollars via illicit financial outflows. In 2009 alone, the developing world lost \$903 billion in illicit outflows. The outflows stem from crime, corruption,

⁴ *Left behind by the G20*; January 2012; Oxfam

⁵ *Divided We Stand: Why Inequality Keeps Rising*; December 2011; OECD

tax evasion, and other illicit activity. From 2000 to 2009, developing countries lost \$8.44 trillion to these illicit activities⁶.

When individuals and companies evade their tax obligations, they deprive governments of desperately needed revenue needed for schools, hospitals and other vital public services. Tax havens compete to attract illicit financial flows, heightening inequality and poverty, corroding democracy, distorting markets, undermining regulation, curbing economic growth and promoting corruption and crime around the world.

In 2009, the G20 agreed to take action against tax havens secrecy by negotiating new transparent tax cooperation agreements. But so far a G20 tax haven crackdown has largely failed to materialize. There is little evidence that the nearly 700 bilateral tax cooperation agreements that have been signed since 2009 under the aegis of the OECD/Global Forum have resulted in any countries – rich or poor - recouping lost tax revenues.

The G20 must now finish the job by adopting new rules that require tax havens to disclose information on money entering their jurisdiction. The G20 should also require multinational companies to improve tax compliance and report the taxes they pay in each country in which they operate.

Zarco said: “Our leaders can’t stand by as tax havens take billions from the pockets of ordinary people in rich and poor countries alike. This lost money could pay for health and education services and protect against the deepening impact of the economic crisis by paying for safety nets to help those who have lost jobs.”

4. Innovative financing for development

Against a backdrop of dwindling aid budgets, the World Bank this year warned of a sharp downturn in financing available for poor countries. Meanwhile, the Green Climate Fund, designed to help channel up to \$100 billion a year to help poor countries cope with the devastating effects of climate change, stands almost empty.

Last year’s G20 in Cannes signaled the crucial need to secure new and innovative sources of finance, including through support by a global coalition of the willing for a tax on the financial sector - as recommended to leaders at last year’s G20 by Bill Gates - and by tasking finance ministers to take forward recommendations on climate finance.

In Europe, a financial transaction tax is on the table for agreement this month [June]. France and Germany have signaled their willingness to allocate a portion of the revenues to tackling development and climate change. In the US, while French President Francois Hollande discussed an FTT with Obama at the G8 in Camp David, thousands of demonstrators gathered in the streets of Chicago to demand a tax on the financial sector. With a European tax just around the corner, and global momentum for a FTT still significant, G20 leaders that have shown support for an FTT before should step forward and show their backing again.

Innovative financing is crucial to making progress on development, and time is running short.

The G20 should now:

- Take forward the G20 coalition of the willing by endorsing a “Robin Hood” tax to raise up to \$400 billion annually, and support Europe’s plans for a financial transaction tax while insisting that that the funds it raises be used for development and to tackle the effects of climate change in poor countries.
- Introduce a carbon price on international shipping, to help to cut emissions and in the process raise \$25 billion a year.

⁶ *Illicit Financial Flows from Developing Countries Over the Decade Ending 2009*; December 2011; Global Financial Integrity

Zarco said: “We need to ask why our governments continue to overlook these obvious solutions to filling growing finance gaps. Innovative financing like a tax on the financial sector or a carbon price on international shipping could free up vital money to help people being hit hardest by global shocks.”

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