

Domestic and Global Policy Linkages for Enhancing the Role of Middle Income Countries in Financing for Development

Statement Issued by the
Development Alternatives with Women for A New Era [DAWN]
at the Special High-Level Meeting of the ECOSOC
with the BWIs, WTO and UNCTAD, 14 April 2008

DAWN welcomes the Secretary General's Note of 14 April 2008 for the Special High-level Meeting of the ECOSOC with the BWIs, WTO and the UNCTAD, in particular, its references to large numbers of poor and continuing inequality as major development challenges to middle income countries. From a gender perspective, however, we believe that macroeconomic policies can do much more to reduce various forms of inequities and inequalities, both at the national and international levels.

The current focus on fiscal consolidation whose goal is to provide stability as well as to make domestic resource mobilization more predictable is inadequate to address these challenges. Among the fiscal consolidation measures that are promoted by multilateral financial institutions are various forms of administratively efficient tax measures (e.g. VAT), simplification of tax administration, and spending restraint especially on social welfare. These measures have been found to hit the poor disproportionately, most of all poor women who bear the burdens of care and of economic adjustment, as recurrent local and global food and health crises clearly reveal.

The integration to the global financial system of middle income countries has also increased their vulnerability to external shocks, particularly in the private financial sector, that threatens whatever gains have been achieved. Advances in fiscal consolidation including adequate policy space for counter cyclical measures cannot be sustained without effective regulation and management of financial flows at the global and regional arenas. The existing global oversight agencies have once again been proven to be unreliable, fragmented and inadequate as the world finds itself in yet another financial crisis.

What is required is a set of policies at both the domestic and global-regional spheres harmonized around **redistribution and social protection** as principal objectives of the macroeconomics of development on par with economic growth that supports genuine and sustainable poverty reduction. Such a set of policies can only come about if there is a strong political will to "tilt the playing field toward the weaker players"¹ at national, regional and global levels. DAWN calls for clear steps that connect domestic fiscal and financial policies with a global financial architecture which enables appropriate development policies to be pursued and makes growth for middle income countries more sustainable and geared at reducing inequalities and inequities. To this end the following proposals are being put forward:

At the national sphere:

1. Adoption of progressive taxation and removal of tax shelters for foreign direct investments to expand the tax base in ways that target those whose incomes and assets are sizable.
2. Removal of value added taxes on goods and services essential to social reproduction / care, such as taxes on staple food.
3. Assessments of financial requirement for full employment targets and for socializing the time and financial burdens of the domestic care economy which are overwhelmingly borne by girls and women should be institutionalized in budget processes.
4. Combining short-term counter cyclical policies meant to respond to generalized economic downturns with institutionalized longer-term social protection mechanisms (e.g. health insurance, pension funds, income transfers).
5. Institutional reforms for strengthening property rights linked to accessing financial markets should include changes in inheritance and property laws, as well as land reform programs, that enable women to become asset holders.
6. New borrowing and debt reduction initiatives should not be based on labor market flexibilities requirement as is currently found in the World Bank's CPIA.
7. Strengthened civil society participation, including by women's organizations, in policy dialogues and agenda setting on financing for national and local development.

At the global and regional spheres:

8. A democratized global policy space for financial markets regulation in which middle income as well as low income countries become co-responsible for decision-making in global financial and trade regimes and that will provide a robust policy space for appropriate domestic regulation.
9. A strengthened United Nations as a venue for inter-governmental coordination among middle income countries and between them and other countries in setting a political framework for and monitoring of development priorities, financing and outcomes, that takes into account the various global commitments to rights, social justice, and human security.
10. Maintaining a sunlight approach to global development debates and decisions in which civil society organizations, including women's organizations and rights advocates are sitting at the table.

¹ Chang, Ha-Joon. 2008. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*. New York: Bloomsbury Press.