

Informal Notes of the Breakfast Dialogue on the Follow-up to Rio+20 and the Post 2015 Development Agenda, 28 February 2014

Topic: Austerity measures and the new development agenda

Organized by the Bahá'í International Community and International Movement ATD Fourth World

A diverse group of stakeholders¹ convened to informally discuss the issue of austerity measures in the context of the post-2015 development agenda. The following are highlights of the discussion:

- Austerity and development calls to mind the purpose of governance. The essential role of government is to provide the opportunity for each individual to develop their capacity to contribute to the betterment of society. Defining characteristic of governance today is interdependence.
- UNICEF undertook studies to look at austerity measures adopted by various countries, analyzed quantitative and qualitative scope of contraction.
 - Identified three phases of austerity: (1) 2008-2009: global response to financial crisis; fiscal stimulus programs introduced; (2) 2010 -2012: onset of contraction phase (50% of countries cut budgets); (3) 2013-present: intensification of contraction
 - Some 44 countries are forecasted to cut budgets to below pre-crisis levels and 120 countries are cutting budgets in 2014, why?
 - Austerity policy measures include: cuts in social protection/old age pension/ health care programs; increases in value added taxes; all measures will affect vulnerable groups the most (e.g. women and children)
 - Policy options include: reallocation of public expenditures, tax reform, curbing illicit financial flows, tapping into foreign exchange reserves, restructuring debt.
- How can we help governments to expand their fiscal space to invest in poor households? Are governments cutting excessively?
- Many countries in Africa are experiencing massive natural resource export booms but the resources aren't going to the people. Governments have many options through which they can support the people living in poverty.
- Economic injustice and austerity are the main grievances driving protests around the world, according to study by Friedrich Ebert Stiftung; next largest category is failure of political representation; fastest growing driver of protests are tax regimes and financial regulation.
 - Main targets of protests are governments, and the political and economic systems
- At the start of the financial crisis, countries had enough resources to have some flexibility, expected that the recovery would be quick. Recovery was slow and many countries accumulated deficits.

¹ Permanent Missions represented: Costa Rica, European Union, France, Germany, Guatemala, Singapore, United States. Representatives from UN: UN Department of Economic and Social Affairs, UNICEF. Non-governmental organizations represented: Bahá'í International Community, Friedrich-Ebert Stiftung, Good Shepherd International Justice Peace Office, Global Network of Women Peacebuilders, International Movement ATD Fourth World, International Presentation Association, Loretto Community, Mercy International Association, National Spiritual Assembly of the Bahá'ís of the United States, Quaker United Nations Office, Salesian Missions, Soroptimists International, SOS Children's Villages International, Unanima International, United Nations Foundation, Wheel of Miracles, Women's International League for Peace and Freedom, World Council of Peoples for the United Nations.

Many countries reorganized their debt and profited from lower interest rates. However, the possibility of raising debt in relation to GDP is limited. Many countries now have little or no fiscal flexibility.

- Sectors that receive aid from government tend to be the more organized sectors, and not necessarily those that need it the most.
- Countries need to establish a progressive taxation regime but this is difficult politically.
- Multiparty political systems have become fragmented making negotiations difficult. The political system is trying to adapt to new realities.
- It is important to take into account the issue of demography. Many countries have an increasingly older population. That places mounting pressure on the pension systems.
- How can civil society help to translate the demands of civil society movements so that economists and governments can understand them? There is a translation problem.
- During Occupy Wall Street protests, civil society focused on engaging with policy makers and governments but did not focus on engaging with constituents and fostering an understanding of the issues involved.
- New groups that are entering the political arena are more willing to engage in marches and in direct civil disobedience, in mass 'experimental educational actions' on the streets. They feel a crisis of political representation.
- Protests often focus on deep rooted structural issues, which are very difficult to change.
- Macro-economic statistical models don't differentiate between sectors that affect largely women and children. Infrastructure investments (as part of stimulus measures) tend to create jobs for men. Investments could also be made in fields that are largely staffed by women, such as education and health. These analyses need to be factored into the macro-economic decision-making. We also need to challenge the assumptions underlying these models.
- Austerity is not the problem. It is a symptom of deep inequality. To address inequality you need policies that affect every sector. You need the right resourcing strategy.
- In many places the problem is framed as a 'fiscal crisis'. This can be reframed as a 'budget crisis' and then it becomes a question of responsibility. Framing of the crisis is very important.
- It can be framed as a governance crisis. For example, many countries are spending up to 10% of GDP on fuel subsidies. If the government proposes fuel subsidy reform to the public, it will cause massive protests because it will raise the cost of fuelling a car. The middle class will not support such a government and the administration will collapse. We need to understand the political realities in which governments function.
- Are governments looking at curbing military spending?
- New tool to gauge how the World Bank is performing. The World Bank will now use a ratio to determine their effectiveness, not the \$1.25/day standard. The ratio will be the top quintile to bottom quintile economically, aiming for a smaller and smaller ratio. This reflects a growing focus on reducing inequalities in addition to poverty alleviation.
- What keeps people/ governments from pursuing a sense of right and of sharing in the common good? What makes people with money so afraid to share? Is fear and a sense of feeling threatened that is at the root of inequalities that we are seeing?
- From the perspective of those living in extreme poverty, they lack most a 'voice,' and access to opportunities to contribute to the building of society. If governments and international institutions don't measure it, this reality doesn't exist for them.
- If organizations want to effect change, they need to speak the most effective language. When speaking to a finance minister, for example, a strong economic argument will more readily be understood than a proposal based only on a human rights approach.