



**FAIR TRADE AND INNOVATIVE FINANCING MECHANISMS
FOR SUSTAINABLE DEVELOPMENT**

***Preliminary draft resolution submitted by the co-Rapporteurs
Mr. F.-X. de Donnea (Belgium) and Mr. R. Chitotela (Zambia)***

The 128th Assembly of the Inter-Parliamentary Union,

- (1) *Mindful* that fair trade serves two objectives, namely: it provides opportunities for the development of small-scale producers and workers in developing countries; and it has a positive influence on the international trading system and private companies, encouraging them to become more just and conducive to sustainable development,
- (2) *Considering* that there is ample evidence of the positive impact of fair trade on the earnings of farmers and workers in developing countries and its ability to provide business opportunities for developed countries,
- (3) *Recalling* the Partnership Agreement between the Members of the Group of African, Caribbean and Pacific States (ACP) and the European Community and its Member States, signed in Cotonou on 23 June 2000 (Cotonou Agreement) and amended in Luxembourg on 25 June 2005, in particular Article 23(i); this article expresses support for the promotion of fair trade while Article 64 of the related Compendium on co-operation strategies provides that "Co-operation shall provide support to both producer groups in developing countries and NGOs within the EU through budget headings and EDF resources; this support shall be used to finance the launching of new product lines, consumer awareness campaigns, educational activity and capacity building",
- (4) *Also recalling* the São Paulo Consensus, adopted at Eleventh Session of the United Nations Conference on Trade and Development, held in São Paulo from 13 to 18 June, 2004, which noted that given the social and human dimension of globalization, "development strategies have to be formulated with a view to minimizing its negative social impact and maximizing its positive impact while ensuring that all groups of the population benefit from it",
- (5) *Noting* that Europe is the largest market for fair trade products, accounting for between 60 and 70 per cent of global sales,
- (6) *Considering* that fair trade should be based on the principles of sustainability, transparency and gender equality in order to narrow the gap between the rich and the poor,
- (7) *Mindful* of the need to have innovative financing mechanisms for sustainable development as a way of eradicating poverty and combating disease,

- (8) *Also mindful of the need for strong judicial systems to dispense justice in a swift and effective manner as a way of ensuring sustainable development,*
- (9) *Aware of the need to address and combat climate change and global warming, which should be seen as the result of human activity,*
- (10) *Also aware of the need to ensure that international laws governing fair trade will help to strike a balance of trade between developed and developing countries,*
- (11) *Further aware of the need to work towards the achievement of the Millennium Development Goals (MDGs) as a way of accelerating sustainable development,*
- (12) *Recalling previous IPU resolutions, in particular those adopted by the 104th Inter-Parliamentary Conference (Jakarta, 2000) on "Financing for development and a new paradigm of economic and social development designed to eradicate poverty" and the 112th Assembly (Manila, 2005) on "The role of parliaments in establishing innovative international financing and trading mechanisms to address the problem of debt and achieve the Millennium Development Goals",*
- (13) *Also recalling the Fourth High Level Forum on Aid Effectiveness (Busan, December 2011), which pledged to "...further develop innovative financial mechanisms to mobilize private finance for shared development goals",*
- (14) *Referring to the ground-breaking work of the Leading Group on Innovative Financing for Development,*
- (15) *Also referring to the Outcome Document of the RIO+20 Conference, which states: "We consider that innovative financing mechanisms can make a positive contribution in assisting developing countries to mobilize additional resources for financing for development on a voluntary basis. Such financing should supplement and not be a substitute for traditional sources of financing. While recognizing the considerable progress in innovative sources of financing for development, we call for a scaling-up of present initiatives, where appropriate.",*
- (16) *Underscoring that compliance by developed countries with their financing commitments and the principles of aid effectiveness is crucial, but that this alone will be insufficient to achieve the MDGs and other development goals;*
- (17) *Also underscoring that given the magnitude of financing requirements for sustainable economic development, financial resources need to be raised from the full range of private, public and mixed sources, and through multiple channels and instruments;*
- (18) *Observing that a number of key sectors of the global economy, such as the international maritime and aviation sectors and the financial sector, are currently not taxed despite the negative externalities they generate,*
- (19) *Welcoming the significant upsurge of private philanthropic funds invested in sustainable development projects;*
- (20) *Considering the growing importance of remittances as a source of financing for development of poor or middle-income countries;*

(21) *Underscoring* that climate change will affect developing countries in particular and that funding measures to prevent and mitigate its effects and reduce energy poverty will contribute to achieving the MDGs,

1. *Calls* on the European Union to promote and support fair trade and other independently monitored trading initiatives that contribute to raising social and environmental standards as tools for achieving the MDGs, and to implement Article 23 (i) of the Cotonou Agreement and Article 64 of the Compendium on co-operation strategies;
2. *Also calls* on developed countries to provide financial resources to developing countries through their development cooperation mechanisms for developing new fair trade products and ensure that consumers have access to all the information they need to make the right choices;
3. *Calls* for fair trade to respect fair trade standards, as certified by Fair Trade International, which include inter alia clear minimum and progressive criteria to ensure that the conditions of production and trade of all fair trade-certified products are socially and economically fair and environmentally responsible;
4. *Urges* parliaments and governments to explore the potential of innovative sources of financing required to meet development needs and to identify possible allocation mechanisms;
5. *Also urges* parliaments and governments to explore in particular the national, regional and/or international potential of the following innovative financing sources:
 - a financial transaction tax, in a variety of forms;
 - taxation of carbon emissions, in a variety of forms;
 - taxation of globalized activities, such as aviation and maritime activities;
 - public-private partnerships to fight major diseases, such as the GAVI Alliance; and
 - the use of guarantees and insurance to stimulate private financing for development, such as Advanced Market Commitments;
6. *Appeals to* parliaments and governments to better take into account remittances when defining their development strategies and financing thereof;
7. *Also appeals to* parliaments and governments to explore the possibility of creating a worldwide lottery to fund measures to combat hunger, as proposed by the World Food Programme, along the lines of the Digital Food Project;
8. *Underscores* that these innovative financial flows should not place additional burdens on developing countries and should be compatible with an MDG-centered development strategy, while being as far as possible predictable and sustainable;
9. *Also underscores* that transparency and public scrutiny of innovative financing mechanisms are a sine qua non for their introduction;

10. *Cautions* against setting up complicated structures for innovative financing to ensure transparent allocations of their proceeds to development projects, facilitate public scrutiny thereof and guarantee an effective evaluation of their contribution to development goals;
11. *Appeals* for consideration to be given to allocating the proceeds of innovative financing mechanisms through globally or regionally inclusive institutions;
12. *Also appeals* for the harmonization of fragmented monitoring and evaluation mechanisms to reduce transaction costs and facilitate independent monitoring and evaluation so as to assess the delivery of innovative financing and its impact on development outcomes;
13. *Urges* parliaments and governments of both developed and developing countries to step up efforts in the area of taxation, mainly in terms of tax collection and measures to combat tax evasion and unlawful capital flows to tax heavens, efforts which are crucial to achieving a sound fiscal policy and increasing domestic revenue, in particular through the recognition and protection of property rights, land mapping and improving the business and investment climate in developing countries;
14. *Invites the* governments of developed countries to scale up their assistance in the area of strengthening tax authorities, the judiciary and anti-corruption agencies in developing countries;
15. *Also invites* the governments of developed countries to combat active corruption committed in developing countries by companies domiciled in their jurisdictions;
16. *Urges* developing countries to scale up their efforts to combat corruption by putting in place strong judicial systems so as to increase the efficiency of public spending and investments;
17. *Calls* on governments and NGOs to work towards meeting the commitments under the Copenhagen Accord and other international accords on green technology;
18. *Also calls* on governments in developing countries to work towards the achievement of sustainable development by improving the level of education of their citizens and empowering disadvantaged groups;
19. *Invites* those States which have not yet done so to join the Leading Group on Innovative Financing for Development set up in 2006 and to participate in all existing financing mechanisms for sustainable development;
20. *Calls* on parliamentarians and the IPU to play a pivotal role in advocating for fair trade as a means of ensuring sustainable development.