



## FAIR TRADE AND INNOVATIVE FINANCING MECHANISMS FOR SUSTAINABLE DEVELOPMENT

*Resolution adopted unanimously by the 128<sup>th</sup> IPU Assembly  
(Quito, 27 March 2013)*

The 128<sup>th</sup> Assembly of the Inter-Parliamentary Union,

*Stating that fair trade serves two objectives, namely: it provides real opportunities for the development of small-scale producers and workers in developing countries; and it has a positive impact on the global trading system and private companies, which encourages them to become more justice-oriented, socially inclusive and supportive of sustainable development; all of this must be done in compliance with the standards and policies of the ILO,*

*Aware that fair trade has a positive impact on the income of producers and workers, in particular women, in developing countries as well as on employment in the developed countries and on sustainable development,*

*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 and in Ouagadougou on 22 June 2010, in particular Article 23(i); this article expresses support for the promotion of fair trade and notes that the realization of fair trade objectives is linked to sustainable development requirements and needs, and *emphasizing* respect for fair trade principles, particularly in the context of dialogue, transparency, respect and equality in international trade,*

*Recalling the São Paulo Consensus, adopted at the Eleventh Session of the United Nations Conference on Trade and Development, held in São Paulo from 13 to 18 June 2004 and the decisions taken at the Rio+20 Summit held in June 2012 in Brazil, set forth in the document "The Future We Want", which noted that given the social and human dimension of globalization, "development strategies have to be formulated with a view to promoting sustained and inclusive economic growth, social development and environmental protection and thereby to benefit all and to further mainstream sustainable development at all levels, integrating economic, social and environmental aspects and recognizing their interlinkages, so as to achieve sustainable development in all its dimensions",*

*Noting that the European Union is currently the largest market for fair trade products, accounting for between 60 and 70 per cent of global sales,*

*Considering that fair trade should be based on the principles of sustainability, equity, transparency and gender equality in order to narrow the gap between the rich and the poor,*

*Mindful of the need to have innovative financing mechanisms for sustainable development as a way of eradicating poverty, ensuring primary education for all, promoting gender equality and women's empowerment and combating major pandemics,*

*Also mindful of the need for strong and independent judicial systems to dispense justice in a swift and effective manner as a way of ensuring sustainable development,*

*Aware of the need to address and combat climate change and global warming, which should be seen as the result of human activity, and of the need to increase public and private investment and international cooperation for enhancing food security in the face of climate change threats, and considering in this regard that the responsibilities and obligations of all countries at all times must be based on the principles of equity and common but differentiated responsibility,*

*Also aware of the need for international laws governing international trade to ensure a level playing field between and among developed and developing countries,*

*Further aware of the need to realize the internationally agreed development goals, including the Millennium Development Goals (MDGs) as a way of accelerating sustainable development,*

*Recalling previous IPU resolutions, in particular those adopted by the 104<sup>th</sup> Inter-Parliamentary Conference (Jakarta, 2000) on "Financing for development and a new paradigm of economic and social development designed to eradicate poverty" and the 112<sup>th</sup> 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",*

*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",*

*Referring to the ground-breaking work of the Leading Group on Innovative Financing for Development,*

*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",

*Confirming* that developed countries' fulfilment and respect of their financing commitments and the principles of aid effectiveness are, for the time being, insufficient to achieve the MDGs and other development goals,

*Also underscoring* that given the magnitude of financing requirements for sustainable development, financial resources need to be raised from the full range of private, public and mixed sources, and through multiple channels and instruments, while taking measures to prevent the deviation of these resources to illicit activities,

*Observing* that a number of key sectors of the global economy are currently not taxed in some countries despite the negative externalities they generate,

*Welcoming* the significant upsurge of private philanthropic funds invested in sustainable development projects, which must not absolve States of their responsibility towards their inhabitants,

*Considering* the growing importance of remittances as a source of financing for development of poor or middle-income countries, and *concerned* by the often exorbitant cost of sending them,

*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,

*Taking into account* the role and work of the WTO,

1. *Calls on* parliaments to promote and support fair trade and other independently monitored trade initiatives that contribute to raising social and environmental standards as tools for achieving the MDGs and the implementation of a post-2015 development agenda; *calls on* the European Union to continue to promote and support fair trade and other independently monitored trading initiatives, and to implement Article 23 (i) of the Cotonou Agreement;
2. *Also calls on* all governments to continue to promote and support fair trade and to include fair trade as an integral component of the Sustainable Development Goals (SDGs), which will be part of the post-2015 development agenda;
3. *Further calls on* the European Union to continue to promote and support fair trade and other independently monitored trading initiatives, and to implement Article 23 (i) of the Cotonou Agreement;

4. *Invites* 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;
5. *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, paying particular attention to ILO standards;
6. *Also calls* for supporting partnerships for development between governments, local authorities, businesses and citizens, such as Fair Trade, which ensure market access for disadvantaged producers, guarantee sustainable livelihoods and encourage environmentally sustainable farming and production practices;
7. *Requests* that fair trade certification processes be put in place under the authority of the State and in the framework of regional organizations competent in the area of trade and the WTO;
8. *Urges* parliaments and governments to explore the potential of innovative sources of financing required to meet development needs and to identify possible instruments and allocation mechanisms;
9. *Encourages* parliaments and governments to explore 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 Rotary International's successful campaign to eradicate malaria; and
  - the use of guarantees and insurance to stimulate private financing for development, such as Advanced Market Commitments;
10. *Urges* parliaments to play an active role both through legislation and regulatory action to reduce taxes and fees on fair trade products;
11. *Appeals* to parliaments and governments to better take into account remittances when defining their development strategies and financing thereof and *stresses* that labour-recipient countries should not impose any undue restrictions on the money transfers of these workers to their home countries but should, on the contrary, reduce the costs given that these are a basic source of hard currency in such countries;

12. *Underscores that these innovative financial flows should not place additional burdens on developing countries, that they should supplement existing official development assistance flows without reducing them, and should be compatible with a post-2015-development-agenda-centered development strategy, while being as far as possible predictable and sustainable;*
13. *Also underscores that transparency and public scrutiny of innovative financing mechanisms are a sine qua non for their introduction and suggests conducting case studies of existing programmes with a view to providing guidance; appeals for the harmonization of fragmented monitoring and evaluation mechanisms to reduce transaction costs and facilitate independent monitoring and evaluation mechanisms so as to assess the delivery of innovative financing and its impact on development outcomes;*
14. *Cautions against setting up complicated structures for innovative financing that could impede transparent allocations of their proceeds to development projects, facilitate public scrutiny thereof and guarantee an effective evaluation of their contribution to development goals;*
15. *Appeals for consideration to be given to allocating the proceeds of innovative financing mechanisms through globally or regionally inclusive institutions;*
16. *Advocates for the coordination of relevant NGO activities and better use of existing programmes and experience;*
17. *Urges parliaments and governments of both developed and developing countries to promote international cooperation in the fight against tax evasion and 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, especially for women, land registry systems and improving the business and investment climate in developing countries;*
18. *Calls for the strengthening and wider implementation of the Extractive Industries Transparency Initiative (EITI) as a means to improve revenue transparency and accountability in the extractive sectors, and invites parliaments to support and monitor EITI processes in their respective countries;*
19. *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;*
20. *Also invites the governments of developed countries to combat active corruption committed in developing countries by companies domiciled in their jurisdictions;*

21. *Urges developing and developed countries to scale up their efforts to combat corruption by putting in place effective and impartial judicial systems so as to increase the efficiency of public spending and investments;*
22. *Calls on governments and NGOs to work towards meeting the commitments under the Copenhagen Accord and other international accords dealing with climate change;*
23. *Encourages parliaments and governments to explore in depth the possibility of establishing innovative financing mechanisms to assist developing countries in combating climate change;*
24. *Also calls on all governments, particularly in developing countries, to work towards the achievement of sustainable development by improving the level of education of their citizens and empowering women, children and other disadvantaged groups, and encourages parliaments and governments to explore in depth the possibility of establishing innovative financing mechanisms for education;*
25. *Calls for holding an international parliamentary conference on fair trade to discuss ways of achieving fair trade and the role of parliaments therein;*
26. *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;*
27. *Calls on parliamentarians and the IPU to play a pivotal role in advocating for fair trade as a means of ensuring sustainable development.*