

# ECONOMIC JUSTICE



The global economy is deeply and increasingly unequal, with wealth, resources, and decision-making concentrated in the hands of a few, while billions struggle with poverty, insecurity, and climate-related instability. The G7 must prioritize economic justice through governance reform, addressing global systemic inequalities in trade, taxation, debt, and financial governance. In the context of diminished global aid budgets and severe cuts to development spending by G7 governments, it is critical that the G7 act to create a more fair and functional global financial system. Through the below recommendations, we call on the G7 to drive policies that create equitable economic structures, shape a global economy that works for all, and promote a safer and more sustainable world.

## Contribute to debt reform to increase sustainability and support cancellation

Total debt burden over national public budgets in low- and middle-income countries is high, compromising more than 42% of tax revenues (53% in low-income countries). More than 60 Global South countries are at moderate to high risk of debt unsustainability. An unconditional debt cancellation for unsustainable debt is urgent to generate fiscal space.

- Promote debt architecture reform under a non-creditor-centered multilateral legal framework through a UN Convention Framework on

Sovereign Debt. This should provide norms and certainty to borrowers and lenders in the whole debt cycle, for comprehensive debt sustainability; timely, transparent, and binding debt restructuring processes; and binding responsible borrowing and lending.

- Standardize debt service suspension with comparable treatment enforced for all creditors. Debt sustainability assessments must consider not solely a debtor country's ability to pay its creditors but also its ability to meet obligations to its citizens.
- Tackle the high cost of capital for the Global South by reducing interest rates and regulating credit rating agencies. This is a particular challenge in Africa given unfair risk assessment and inaccurate valuation of economies. In this context, concessional loans must be a priority in addressing current and future crises. It is also crucial to open access to non-debt creating mechanisms to free up fiscal space, as was done during the COVID-19 pandemic.
- Support the issuance of Special Drawing Rights (SDRs) to provide liquidity for sustainable development, delinking allocation criteria from International Monetary Fund (IMF) quota shares. This should include innovative SDR rechanneling without increasing the debt spiral. Apply methods to cut austerity measures through the IMF conditionality review and the elimination of IMF surcharges immediately.

“ The multiple crisis needs urgent measures, we cannot afford more short-term policies without long term impacts. A reform of the global financial architecture is crucial. We call on the G7 to strongly promote the seeds of hope by contributing to solve debt unsustainability through a debt architecture reform that enables debt crisis prevention and a fit for purpose debt restructuring process..

— PATRICIA MIRANDA

Coordinator of the Economic Justice WG / Global.Global Advocacy Director & Coordinator of New Financial Architecture Team

## Restore ODA to its original purpose of poverty eradication and addressing inequalities

Official Development Assistance (ODA) is facing dramatic cutbacks, retreating further from all international commitments G7 countries have agreed to and putting at high risk the lives of those in vulnerable situations. ODA is also increasingly used for additional purposes, jeopardizing what should be allocated to Global South countries. Moreover, substantial portions of funds committed by G7 countries remain undelivered, rising by up to 40% for projects with a three-year duration.

- Reduce the commitment and disbursement gap in ODA to a maximum of 10% and invest a minimum of 15% towards initiatives that have gender equality as a principal objective.
- Commit to reforming ODA governance on its purpose and use, in partnership with the Global South, through a UN Convention Framework on Development Cooperation and under a justice and reparation principle.

- Introduce new and innovative financing mechanisms such as levies and ensure ODA is not geared towards generating private profit.

## Promote international tax cooperation

All countries, including the G7, are losing USD492 billion in tax a year to multinational corporations and wealthy individuals using tax havens to underpay taxes.

- Support the process of the UN Framework Convention on International Tax Cooperation, in the creation of a global tax on high-net-worth individuals.
- Support an increase in the global minimum corporate tax to a 25% rate, while promoting progressive income taxation.
- Ensure transparency through the creation of a public Global Asset Registry and a public Beneficial Ownership Registry.

## Ensure trade and investment do not negatively impact development, climate, and human rights objectives in Global South countries

Unfair trade rules often exploit labor, resources, and supply chains in the Global South, with limited consideration for workers' rights, particularly women and marginalized youth. It is imperative that Global South countries have an equal voice in setting trade and investment rules. Meanwhile, digital infrastructure is dominated by a few countries and private actors worldwide, often at the expense of data sovereignty and digital rights in the Global South.

- Integrate a human-rights based approach to trade policies and prioritize women's rights and environmental protection in critical minerals supply chains.

- Push for a coordinated cessation of the Investor-State Dispute Settlement and for regulation of Intellectual Property Rights regulations through agreements such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).
- Promote transparency and inclusive governance in development initiatives, including the Partnership for Global Infrastructure and Investment (PGII).
- Ensure fair digital trade policies, ethical governance of artificial intelligence (AI), and equitable support to digital infrastructure aimed at closing the gender digital divide and protecting democratic spaces.

### **Prioritize public interest when leveraging private sources for international development**

“From billions to trillions” has not been accomplished. Closing sustainable development gaps through high contributions from the private sector is not likely, mainly because programs to reduce poverty and inequalities are not profitable enough and will keep relying on public sources.

- Ensure measures to leverage private financing in development avoid the financialization of public and social services. Efforts to de-risk and leverage private finance with public funds must balance public benefit and private interest with fiscal responsibility.

### **Prioritize policies that enable the provision of public services, for women, girls, and other groups in vulnerable situations**

- Ensure financial policies are gender-transformatory, inclusive, and equitable, by creating tax mechanisms, social security protection and care systems, and fiscal rules that support groups in vulnerable situations.

### **Ensure business and human rights accountability and action to eliminate child and forced labour**

- Adopt and enforce mandatory human rights and environmental due diligence legislation, while protecting human rights defenders. This should include accelerated implementation of the 2011 UN Guiding Principles on Business and Human Rights.
- Expand social protection for migrant workers and Indigenous peoples, while investing in gender-responsive labor policies and social protections that address women’s full participation in the workforce, ratifying key International Labour Organization conventions.

“Global reforms on debt, trade, taxation, and access to finance are instrumental to establishing a new paradigm for international cooperation and development. We must move away from a model of lack and gaps, to a system which acts on historical responsibility and where all nations are empowered by a fair architecture which does not constrain, but frees fiscal space.

— PAUL FARRAN

Coordinator of the Economic Justice WG / Director of Policy and Advocacy, Cooperation Canada