



**General Committee on Economic Affairs, Science,
Technology and Environment**

**Follow-Up on Recommendations in the
OSCE PA's Monaco Declaration**

Interim Report for the 2013 Winter Meeting

*Prepared by the OSCE PA International Secretariat for
the Vice-Chair of the Committee, Ms. Roza Aknazarova*



Contents

OSCE Economic Leadership	2
Long-Term Effects of Austerity.....	4
Green Growth and Renewable Energy	7
The Tobin Tax.....	12

Background

The Parliament of the Principality of Monaco hosted the 21st Annual Session of the OSCE Parliamentary Assembly from 5 to 9 July 2012 under the theme *The OSCE: Region of Change*. It concluded on 9 July with the adoption of the Monaco Declaration, a political document recommending plans of action for governments, parliaments and the OSCE, to address human rights, military transparency and the global economic crisis.

This Interim Report was prepared by the OSCE PA International Secretariat for the Vice-Chair of the General Committee on Economic Affairs, Science, Technology and Environment, Roza Aknazarova (MP, Kyrgyzstan). It considers actions taken in the economic-environmental dimension over the past six months by the OSCE, including Institutions and field presences, and other members of the international community, in relation to the OSCE PA's recommendations in the Monaco Declaration.

A Final Report will be issued in advance of the OSCE PA's 22nd Annual Session, to be held in Istanbul from 29 June to 3 July 2013 under the theme *Helsinki +40*.

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OSCE Economic Leadership

I. OSCE PA Recommendations

The OSCE PA's Monaco Declaration recommends that the OSCE offers itself as a leading international organization to foster economic co-operation. It further "encourages governments to consider the economic and environmental area of the OSCE's work as one of the most promising from the standpoint of their long-term interests."

II. OSCE Chairmanship

Ukraine has made increased engagement in the economic and environment dimension of the OSCE one of its priorities for its Chairmanship in 2013. In his opening speech to the OSCE Permanent Council on 17 January, OSCE Chairman-in-Office and Ukrainian Foreign Minister Leonid Kozhara stated that "it would hardly be possible to promote comprehensive and lasting security in the OSCE region without properly addressing the existing challenges in the economic and environmental sphere, including energy security".

The Ukrainian Chairmanship pledges to build upon discussions on the prospects of adapting the 2003 Maastricht Strategy Document for the Economic and Environmental dimension to the current economic and environmental situation. "We will also propose to explore whether the OSCE could provide an added value and play a role in the development of the new trade and transport corridors, taking into account the importance of economic co-operation for fostering stability and security in the OSCE region", Kozhara said.¹

III. OSCE Economic and Environmental Co-ordinator

Representatives of the 56 OSCE participating States met on 16-17 October in Vienna to review the implementation of their economic and environmental OSCE commitments. The two-day meeting provided a platform for enhancing dialogue and exchange of best practices, reviewing the implementation of decisions and commitments in the economic and environmental field, providing guidance for future work and streamlining co-ordination between participating States of the OSCE, the Organization's units and field operations.

The meeting opened with a panel discussion on the role of the OSCE in addressing economic and environmental issues with the five former and current OSCE Economic and Environmental Co-ordinators, with participants following up on the discussions undertaken during last year's

¹ Address by H.E. Mr. Leonid Kozhara, the OSCE Chairperson-in-Office, Minister for Foreign Affairs of Ukraine to the OSCE Permanent Council (Vienna) CIO.GAL/7/13, 17 January 2013

Economic and Environmental Forum on promoting security and stability through good governance. The OSCE Economic and Environmental Co-ordinator, Goran Svilanović, noted that the meeting “illustrates the increasing relevance of the economic and environmental dimension as an integral part of the OSCE concept of comprehensive, co-operative and indivisible security.”²

Svilanovic presented a report to the OSCE Permanent Council on 25 October, in which he noted that the 16-17 October meeting was only the second time in the history of the OSCE that the Organization had comprehensively reviewed the implementation of economic and environmental commitments agreed in various OSCE documents, Ministerial Council and Permanent Council decisions.³ He reiterated his belief that the decision to institutionalize the EEDIM as an annual OSCE meeting represents an important step towards increasing the effectiveness of the OSCE's dialogue and co-operation in the second dimension. “The EEDIM has indeed a twofold value: it consolidates the continuity of our work, as it provides participating States with an opportunity to assess on a yearly basis the implementation of our commitments; and it complements the already existing frameworks for dialogue and co-operation, namely the Committee meetings and the Forum process”, he said.⁴

Svilanovic also reported on the 20th Economic and Environmental Forum, which held its Concluding Meeting on 12-14 September in Prague. The two Preparatory Meetings, he said, had generated “not only ideas and recommendations but also momentum in the field of Good Governance.” He expressed his satisfaction in the “the great interest attached by participating States to the implementations of commitments related to Good Governance, and more precisely to the fight against corruption, money laundering and the financing of terrorism, as well as to their further engagement in these areas”.⁵

Following Svilanovic's report, the EU delegation to the OSCE issued a statement at the Permanent Council praising the Economic and Environmental Implementation Meeting for bringing together different stakeholders in the second dimension – including the Office of the Co-ordinator of Economic and Environmental Activities, participating States and field presences – but offered suggestions for further improvements in order to “foster more focused debate and achieve concrete outcomes.”⁶

² OSCE Press Release: “OSCE states review implementation of economic and environmental commitments”, 16 October 2012, <http://www.osce.org/eea/96420>

³ Co-ordinator of OSCE Economic and Environmental Report to the 927th Permanent Council, SEC.GAL/206/12, 25 October 2012

⁴ Ibid.

⁵ Ibid.

⁶ EU statement in response to the report by the OSCE Co-ordinator on Economic and Environmental Activities, H.E. Mr Goran Svilanović, PC.DEL/944/12, 25 October 2012

Firstly, the EU ambassador stated, the economic and environmental dimension can only achieve its full potential if its direct link to the concept of comprehensive security is made more obvious. “This is crucial to avoid duplication of efforts of other specialised international and regional fora,” said the EU representative. In this regard, the OSCE should focus on intensifying relations with other relevant organizations as a key priority. Secondly, the OSCE needs to focus on promotion of the rule of law, good governance, transparency and the fight against corruption in order to increase its effectiveness in the second dimension.

“We support a comprehensive approach to the topic of good governance,” the EU ambassador stated. “Inclusion of all relevant stakeholders including civil society, the private and public sectors and free media in tackling corruption and promoting good governance is key.”⁷

Long-Term Effects of Austerity

I. OSCE PA Recommendations

Stating that “excessive austerity [is] economically counter-productive, destructive for the most vulnerable members of society and destabilizing for democracy”, the Monaco Declaration encourages governments of OSCE participating States to carefully analyze the long-term effects of austerity-driven budget cuts.

II. International Initiatives

Since the adoption of the OSCE PA Monaco Declaration, a general international consensus appears to have emerged that austerity measures and fiscal consolidation alone are insufficient in addressing the economic crisis, and indeed may be having unintended negative impacts on overall economic recovery. Many international organizations are now advocating new approaches in dealing with the crisis.

International Monetary Fund

A report issued by the International Monetary Fund (IMF) in January 2013 concluded that the growth-dampening effects of austerity-driven spending cuts had been previously underestimated and that the IMF's earlier prescriptions for tough austerity measures as a solution to the sovereign debt crisis may not be having the desired economic effects. In the report, the IMF's chief economist Olivier Blanchard conceded that the IMF had, in particular, underestimated the multiplier effects of the austerity measures it had urged governments to adopt. Specifically, the

⁷ *ibid.*

IMF found that every dollar that governments cut from their budgets actually reduced economic output by 1.50 USD.⁸

The findings suggested that economies with larger planned fiscal consolidations tended to have lower economic growth and that because of the binding zero lower bound on nominal interest rates, central banks could not cut interest rates to offset the negative short-term effects of a fiscal consolidation on economic activity. Further, lower economic output and lower income, combined with a poorly functioning financial system, implied that consumption may have depended more on current than on future income, and that investment may have depended more on current than on future profits, with both effects leading to larger multipliers.

European Union

Speaking at the “Social Care in Times of Crisis” event in Brussels on 15 November 2012, the European Commissioner for Employment, Social Affairs and Inclusion László Andor⁹ acknowledged that austerity and fiscal consolidation alone cannot solve the economic crisis. Rather than focusing solely on austerity, he said, governments need to seek new paths to growth particularly by improving governance, increasing co-ordination and growing competitiveness, as well as by improving innovation in the area of social policies. In this respect, Andor emphasized that austerity measures and longer-term consolidation efforts must be combined with comprehensive and ambitious social policy agendas for sustainable and comprehensive growth, as well as with concrete guidance for the modernization of Europe's welfare systems.¹⁰

Organized by the Red Cross EU office, the “Social Care in Times of Crisis” event provided an opportunity for representatives of EU institutions, governments and civil society organizations to discuss the social consequences of the economic and financial crisis. Particular attention was paid to the most vulnerable groups in society in need of social services and care.¹¹

Organization for Economic Co-operation and Development

The OECD's latest Economic Outlook Report, released 27 November 2012, concluded that the global economy is once again in decline. The report regretted that in the recent past, “signs of emergence from the crisis have more than once given way to a renewed slowdown or even a double-dip recession in some countries” and that “the risk of a new major contraction cannot be

⁸ IMF Working Paper: “Growth Forecast Multipliers,” Olivier Blanchard and Daniel Leigh, International Monetary Fund, January 2013: <http://www.imf.org/external/pubs/ft/wp/2013/wp1301.pdf>

⁹ EU Commissioner on Employment, Social Affairs and Inclusion website: http://ec.europa.eu/commission_2010-2014/andor/index_en.htm

¹⁰ “Austerity, fiscal consolidation alone cannot solve the crisis,” *New Europe*, 16 November 2012: <http://www.neurope.eu/article/austerity-fiscal-consolidation-alone-cannot-solve-crisis>

¹¹ “Social Care in Times of Crisis” event website: <http://www.redcross.eu/en/Red-Cross-EU-Office/EVENTS/PREVIOUS-EVENTS/Social-Care-in-Times-of-Crisis/>

ruled out.” Noting that the recession is ongoing in the Eurozone, it also pointed that while the US economy is growing, its performance is below what had been expected earlier last year. Further, a slowdown has surfaced in many emerging market economies, which in part reflects the impact of the recession in Europe.¹²

The OECD identified several causes for the diminished outlook, including a significant drop in confidence, simultaneous fiscal consolidation across countries, as well as contracted global trade. High unemployment is depressing confidence and spending, the OECD noted, and the lack of confidence largely reflects insufficient or ineffective policy responses, both in terms of inadequate short-term action and a lack of credible long-term strategies. “This, in turn, seems to be determined not so much by a lack of understanding of the policy requirements,” according to the OECD analysis, “but rather by failure to reach consensus on the policy response.” In particular, the OECD noted that “fiscal consolidation, while necessary, has affected growth.”

United Nations

The annual UN report, World Economic Situation and Prospects (WESP) 2013, released on 17 January, concluded that the euro area is in recession and projected that the Gross Domestic Product (GDP) of the region is expected to reach only 0.3 per cent in 2013. This growth could strengthen marginally to 1.4 per cent in 2014, but the euro area sovereign debt crisis and attendant fiscal austerity programmes are nevertheless continuing to depress growth in the region.¹³

The WESP report warned that the current economic policies of Western European governments are failing to address key short-term issues of restoring growth in the region or how to put the crisis countries on a firmer footing to promote fiscal sustainability. At least five economies are now in recession, the WESP concluded, with Italy's GDP expected to decline by 2.4 per cent in 2012 and 0.3 per cent in 2013 and Spain's by 1.6 per cent and 1.4 per cent, respectively. The other countries in recession are Cyprus, Greece and Portugal, with poor prospects going forward. The WESP warned that the sovereign debt crisis could erupt this year, impacting on bank solvency and depressing confidence, and forcing governments to make up for growth shortfalls by introducing new austerity measures.

Noting that consumption levels are expected to remain weak in the outlook, the WESP points out that austerity programmes are compounding the problem by reducing consumer confidence and depressing consumption. Further, the unemployment rate in the euro area climbed to 11.6 per cent in September (up 1.3 percentage points from one year ago), with significant regional

¹² OECD Economic Outlook No. 92, Angel Gurría and Pier Carlo Padoan, 27 November 2012, <http://www.oecd.org/eco/economicoutlookanalysisandforecasts/Handout%20EO92%20-%20English.pdf>

¹³ UNECE, “Europe's debt crisis reverberations continue to depress the region,” 17 January 2013, <http://www.unece.org/index.php?id=31997>

differences. Countries undergoing austerity have some of the highest unemployment rates, with Spain and Greece suffering unemployment levels above 25 per cent and Portugal at 15.7 per cent.

In an address to the UN General Assembly on 23 October 2012, the Chairperson of the UN's Committee on Economic, Social and Cultural Rights, Ariranga Govindasamy Pillay, noted that harsh austerity measures may be violating Member States' legal obligations under the International Covenant on Economic, Social and Cultural Rights. "All States Parties should avoid at all times taking decisions which lead to the denial or infringement of economic, social and cultural rights," Pillay said.¹⁴

UN High Commissioner for Human Rights Navi Pillay also weighed in on the austerity question, with particular focus on the effects on migrants, refugees and minorities, as well as on governments' responses to widespread protests against austerity. Speaking on 18 October, the High Commissioner said that while governments "may be compelled to take decisive action to improve their economic situation," they should not do so at the expense of "the hard-won rights of their populations, and in particular those of the most vulnerable, including minorities, migrants and the poorest sectors of society who were already struggling to make ends meet."¹⁵

Austerity must respect the principle of equality, avoid discrimination, and be accompanied by measures to mitigate the effect of the crisis on the most vulnerable, Pillay said. She expressed concern that the debate about migrants, refugees and minorities "may lead to further discrimination and marginalization as dominant groups look to secure their own futures and search for scapegoats." Further, she noted that in some countries social tensions inflamed by the economic crisis have led to violent attacks on migrants, and that the police have responded excessively to demonstrations against austerity measures.

Green Growth and Renewable Energy

I. OSCE PA Recommendations

In the Monaco Declaration, the OSCE PA called upon the 2013 Ukrainian Chairmanship and the Office of the OSCE Economic and Environmental Co-ordinator "to highlight alternative solutions to tackle the economic crisis in the OSCE area at the Twenty-first Annual OSCE Economic and Environmental Forum and its preparatory conferences in 2013". Support was also

¹⁴ UNHCR, "Austerity measures may violate human rights," 2 November 2012, <http://www.ohchr.org/EN/NewsEvents/Pages/AusterityMeasures.aspx>

¹⁵ UNHCR, Press Conference by UN High Commissioner for Human Rights, Navi Pillay, 18 October 2012, <http://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=12675&LangID=E>

expressed for the work of the United Nations and the Organization for Economic Co-operation and Development to raise awareness among policymakers about the economic opportunity of green growth.

II. OSCE Chairmanship

In his opening speech to the OSCE Permanent Council on 17 January, OSCE Chairman-in-Office Leonid Kozhara pledged to make energy efficiency and renewable energy a cornerstone of the 2013 Ukrainian Chairmanship.¹⁶

Kozhara elaborated on the Ukrainian Chairmanship's focus on energy saving and promoting renewable energy in an interview with the OSCE's magazine, *Security Community*. Considering the environmental impact of energy-related activities, energy efficiency and renewable energy to be issues that unite OSCE participating States, Kozhara explained that "by prioritizing them we intend to further develop the energy dialogue within the OSCE and generate political will for enhancing co-operation in the field of energy security without politicizing this issue".¹⁷

He further expressed his encouragement in the broad support that participating States have shown for Ukraine's proposal to give this subject greater prominence in 2013.

III. OSCE Economic and Environmental Co-ordinator

The topic of this year's Economic and Environmental Forum, to be held in three parts, is "Increasing stability and security: Improving the environmental footprint of energy related activities in the OSCE region".¹⁸ Organized by the OSCE Economic Environmental Co-ordinator and the OSCE Chairmanship, the forum will offer opportunities to discuss energy and environmental challenges to security and to promote energy efficiency and renewable energy co-operation in the OSCE area.

Representatives of national and international institutions, civil society, academia and the business community will participate in the forum meetings in order to reinforce the role of the OSCE in the promotion of good governance and its support for the fulfillment of OSCE commitments in the economic and environmental dimension. The first preparatory meeting took place on 4-5 February 2013 in Vienna, and was divided into several sessions. Topics of discussion included:

- the linkages between energy and environment and their impact on security and co-operation

¹⁶ Address by H.E. Mr. Leonid Kozhara, the OSCE Chairperson-in-Office, Minister for Foreign Affairs of Ukraine to the OSCE Permanent Council (Vienna) CIO.GAL/7/13, 17 January 2013

¹⁷ *Security Community* Issue 1, "Ukraine sets the tracks for 2013," 2013

¹⁸ OSCE Economic and Environmental Forum: <http://www.osce.org/eea/43229>

- the local effects of fossil fuel consumption
- climate change as a threat to security and as an opportunity for international co-operation
- energy efficiency
- environmental challenges and opportunities of energy production and transportation

Under the general theme of “Co-operation between public and private sectors and international organizations”, Session IV included discussions on strengthening public-private co-operation on the way forward to the Green Economy, engaging private and international financial institutions and providing incentives for the business sector, and the role of international organizations in providing technical assistance in the promotion of green growth.

The second preparatory meeting of the Economic and Environmental Forum will be held in Kyiv on 16-17 April 2013, and a concluding meeting, to take place in Prague on 11-13 September 2013, will build on the results of the two preparatory meetings.

IV. International Initiatives

Organization for Economic Co-operation and Development

The OECD has continued its work in promoting environmentally friendly economic growth through the OECD Green Growth Strategy, launched in May 2011. The Green Growth Strategy provides concrete recommendations and measurement tools to support national efforts in achieving economic growth and sustainable development, proposing a flexible policy framework that various countries can tailor to different national circumstances and stages of development. OECD Green Growth Papers complement the OECD Green Growth Studies series, and aim to stimulate discussion and analysis on specific topics and obtain feedback from interested audiences.¹⁹

A 157-page OECD Green Growth Paper published 1 September 2012, for example, presents and analyzes policies, programmes and approaches for the development, market introduction and diffusion of green cars. It reviews government policies in a number of countries and attempts to provide a better understanding of the growing market for green vehicles.²⁰

Another recent publication of the OECD, “Linking Renewable Energy to Rural Development”, seeks to address how the large amounts of public money to support renewable energy development are economically impacting the rural regions where deployment takes place. Drawing on case studies in 16 regions within ten OECD countries, the research finds that while renewable energy indeed represents an opportunity for stimulating economic growth in rural communities, its development benefits are not automatic. Realizing their potential requires a complex and flexible policy framework and a long-term strategy, as well as a realistic appreciation of the potential gains from renewable energy expenditures, the OECD explains.²¹

United Nations

The UN's work on green growth is spearheaded by the Department of Economic and Social Affairs (DESA) and the United Nations Environment Programme (UNEP), which together helped organize an expert group meeting in Bangkok, Thailand on 12-13 December 2012 focused on green growth and green jobs for youth. Organized jointly by the UNEP, DESA's Division for Social Policy and Development, the UN Economic and Social Commission for Asia and the Pacific, and the International Labour Organization's Regional Office for Asia and the

¹⁹ OECD iLibrary, http://www.oecd-ilibrary.org/environment/oecd-green-growth-papers_22260935

²⁰ OECD: “Market Development for Green Cars”, 1 September 2012, <http://www.oecd-ilibrary.org/docserver/download/5k95xtcmxltc.pdf?expires=1359118577&id=id&accname=guest&checksum=5868A963C6694ECF861F34192F9E7354>

²¹ OECD Green Growth Studies, “Linking Renewable Energy to Rural Development”, 11 October 2012, <http://www.oecd.org/greengrowth/linkingrenewableenergytoruraldevelopment.htm>

Pacific, the meeting aimed to promote green jobs for young people as part of the implementation of the UN system-wide Plan of Action of the Second UN Decade for the Eradication of Poverty (2008-2017).²²

The UN General Assembly on 22 January established a 30-member working group that will focus on designing a set of sustainable development goals to promote global prosperity, reduce poverty and advance social equity and environmental protection. The group will be composed of countries from all regions, and will prepare a report containing a proposal on the SDGs that the 193-member Assembly will consider at its 68th session in September 2013. A result of the commitment made by Member States at the UN Conference on Sustainable Development (Rio+20) in June 2012, the working group will endeavour to establish a set of action-oriented, concise and easy-to-communicate goals to help advance sustainable development.²³

European Investment Bank

The European Investment Bank has developed special programmes to foster green economic growth such as the Program ELENA (European Local Energy Assistance) to help EU town and regions to implement large energy efficiency and renewables projects.²⁴

Global Green Growth Forum

The Danish Government will host the 3rd Global Green Growth Forum (3GF) on 21-22 October 2013 in Copenhagen in partnership with the governments of China, Kenya, Korea, Mexico and Qatar. The overall focus of the forum will be on improving resource efficiencies in the value chain with strategic sessions on for instance energy efficiency, water resources, food waste, sustainable agriculture/dry lands, greening the value chain and innovative finance.²⁵

European Conference on Sustainable Cities & Towns

The 7th European Conference on Sustainable Cities & Towns will be held on 17-19 April 2013 in Geneva. Divided into five plenary sessions and 30 interactive thematic break-out sessions, as well as various workshops and one high-level political session reserved for mayors only, the

²² DESA Press Release: "Green growth and jobs for youth", 14 December 2012, <http://www.un.org/en/development/desa/news/policy/greenjobs4youth.html>

²³ UN Press Release: "General Assembly creates group to work on sustainable development goals", 22 January 2013, <http://www.un.org/en/development/desa/news/sustainable/ga-group-sdgs.html>

²⁴ European Investment Bank, "Maximising investment in sustainable energy (ELENA)", (accessed February 7 2013) <http://www.eib.org/products/elena/index.htm>

²⁵ Global Green Growth Forum Press Release: "Next 3GF to take place 21-22 October 2013", December 13, 2012, <http://www.globalgreengrowthforum.com/news/3gf-in-the-media/next-3gf-to-take-place-21-22-october-2013/>

conference intends to provide a platform to foster critical and creative thinking, and take a step forward to realizing sustainable development solutions at all levels.²⁶

The Tobin Tax

I. OSCE PA Recommendations

The Monaco Declaration encouraged parliamentarians of OSCE participating States to discuss ways to decrease the frequency of short-term market trading through the implementation of a Tobin tax – a mechanism conceived as a tax on all spot conversions of one currency into another.

II. International Initiatives

In January, 11 Eurozone countries won the European Union's backing for a financial transaction tax aimed at raising revenue from the financial services industry and deterring speculation. The countries planning to introduce the tax include the Eurozone's top four economies, Germany, France, Italy and Spain.

Austria, Estonia, Belgium, Greece, Portugal, Slovakia and Slovenia are also participating in the tax. The United Kingdom, which already imposes a tax on share trades, abstained from the vote. It is expected that the levy could raise as much as 35 billion EUR a year for the 11 countries.²⁷

²⁶ European Conference on Sustainable Cities & Towns Press Release: "A green and socially responsible economy: a solution in times of crisis?", http://www.epe.be/files/7ESCT_Geneva2013.pdf

²⁷ The Guardian: "EU approves financial transaction tax for 11 eurozone countries", 22 January 2013, <http://www.guardian.co.uk/business/2013/jan/22/eu-approves-financial-transaction-tax-eurozone>