

Declaration on Innovative Sources of Financing for Development by the Leading Group on Solidarity Levies to Fund Development

The High-level Dialogue on Financing for Development took place on 23 and 24 October 2007 in New York. On this occasion, the Leading Group on Solidarity Levies to Fund Development met and decided to reaffirm its commitment to new sources of financing for development.

The achievement of the Millennium Development Goals (MDGs) is a key element to eradicate poverty, promote sustainable development, in its economic, social and environmental aspects, and achieve global prosperity for all. It is our collective responsibility to make all efforts to achieve these goals as the MDGs can only be reached with the commitment of all actors – donor and recipient countries.

At the close of the Monterrey Conference in March 2002, the international community committed to increasing resources for development, including official development assistance. At the 2005 World Summit, it urged developed countries that had not done so to make concrete efforts towards the target of 0.7 per cent of gross national income (GNI) as official development assistance (ODA).

We acknowledge efforts by developed countries to increase ODA, in particular the establishment of timetables by some developed countries, in particular by those the European Union adopted in 2005, to achieve the target of 0.7 per cent of GNI by 2015 or to sustain their efforts beyond this level, and call upon other developed countries to do likewise. We note with concern, however, the overall decline in ODA in 2006 and urge all developed countries to make every effort to reach the target of 0.7 per cent of GNI for ODA by 2015.

Because the issue of poverty eradication is so pressing, we have the ardent duty to invent new sources of financing to increase and supplement traditional sources of finance. We are convinced that more stable and predictable aid flows within the existing aid architecture would considerably enhance aid effectiveness and its impact on poverty. Such flows would help redistribute the benefits of globalization among developed and developing countries.

At the International Conference on Financing for Development held in Monterrey in March 2002, the international community recognized how important it was to seek innovative financing and agreed to study the findings of the United Nations Secretary-General's fact-finding study on innovative financing sources.

Since then much progress has been made in terms of concrete achievements and international mobilization.

In January 2004, in Geneva, the presidents of Brazil, Chile and France, with the support of the United Nations Secretary-General, launched an initiative to fight hunger and poverty calling on the international community to create new sources of financing for development.

At a meeting of Heads of State and Government held in September 2004, at the United Nations, on the initiative of the President of Brazil, joined by the presidents of Chile, France, and the

President of the Government of Spain, a technical report was published. It presented a range of options of innovative financing mechanisms, making it possible to establish a genuine framework for action.

At the 2005 World Summit, the Heads of State and of Government recognized that it was important to develop new financing sources and joined ongoing international efforts.

In September 2005, 79 countries endorsed the New York Declaration on Innovative Sources of Financing for Development, co-sponsored by Algeria, Brazil, Chile, France, Germany and Spain.

Several innovative mechanisms have been developed recently: the air-ticket solidarity levy financing the international drug purchase facility UNITAID, the International Finance Facility for Immunization and a pilot Advanced Market Commitment for pneumococcus.

Although not strictly innovative, and in full respect of their nature as private flows, remittances represent another very fruitful area in which the development community has been concentrating efforts in the last few years. For developing countries as a whole, remittances represent the second largest source of capital. Reducing the cost of remittances, securing and improving their channelling and increasing their impact on development are therefore an urgent priority.

A Leading Group on Solidarity Levies to Fund Development tasked with exploring such issues was created at the Paris Conference on Innovative Development Financing Mechanisms at ministerial level held in February 2006 and now includes 53 member countries¹ and 3 observer countries².

At the Leading Group's last meetings held in Seoul on 3 and 4 September 2007 and Dakar on 22 and 23 April 2008, the following issues were addressed during roundtables: taxing currency transactions, stemming illicit financial flows from developing countries (a working group on this subject, chaired by Norway, was established), remittances, innovative financing mechanisms and environmental protection. At the meeting, Senegal and Guinea were appointed chairs of the group from October 2007 to March 2008 and April 2008 to September 2008 respectively. They were given the mandate to prepare the group's contribution for the follow-up conference to the Monterrey conference scheduled for the end of 2008 in Doha. Senegal expressed its willingness to promote in particular the implementation of a solidarity levy to fund the fight against the digital gap.

We hope that this follow-up conference will help broaden the geographic base for such mechanisms and rally support from as many countries as possible for the latest realistic and effective proposals. With this in mind, we are preparing a platform that could include the following components, based on the voluntary commitments of those countries interested:

- Confirming the commitment from member countries of the Leading Group on Innovative Sources to Fund Development to the principle of innovative sources of financing for development;
- Taking stock of the various mechanisms at this stage;

¹ Algeria, Bangladesh, Benin, Belgium, Burkina Faso, Burundi, Brazil, Cambodia, Cameroon, Cap Verde, Central African Republic, Chile, Congo, Côte d'Ivoire, Cyprus, Djibouti, Ethiopia, Finland, France, Gabon, Germany, Guatemala, Guinea Bissau, Guinea, Haiti, India, Italy, Jordan, Lebanon, Liberia, Luxembourg, Madagascar, Mali, Morocco, Mauritius, Mauritania, Mexico, Mozambique, Namibia, Nicaragua, Niger, Nigeria, Norway, Poland, Saudi Arabia, Senegal, Sao-Tomé-et-Principe, South Africa, South Korea, Spain, Togo, Uruguay and the United Kingdom.

² Austria, China and Japan.

- Reviewing the ways innovative mechanisms are linked to cross-cutting capacity-building efforts and with all stakeholders in the development field;
- Identifying fields for action that could benefit from the added value of innovative financing mechanisms, apart from the health sector;
- Taking stock of the various ideas addressed in the Leading Group, including implementing Special Drawing Rights as counter-cyclical mechanisms to deal with financial and economic instability in developing countries, introducing a moderate tax on currency transactions, stemming illicit capital flows, the potential role of the carbon market, remittance measures, enhancing the combat against tax fraud and tax evasion, implementing a digital solidarity contribution and furthering the Digital Solidarity Fund ;
- Proposals that could be introduced swiftly;
- New issues to be explored.

We remain fully committed to the fight against hunger and poverty, the achievement of MDGs and sustainable development. We are convinced that innovative sources of financing are a vital instrument to be used in that action. We firmly hope that all countries and all institutions that share our aim will join us in our efforts.

Annex:

- The air-ticket solidarity levy financing the international drug purchase facility UNITAID :

At the instigation of Brazil, Chile and France, 28 countries stated their intention to introduce a very low solidarity levy on airline tickets for passengers leaving countries applying this levy or using a similar mechanism to finance the fight against major pandemics.³ Applied in eight countries⁴ with no measurable impact on air traffic, it has already raised \$250 million in 2007 over and above conventional aid. Moreover, the contributions will be ensured over the long term. They are levied by each country and coordinated at international level, since they are primarily channelled to the international drug purchase facility, UNITAID.

UNITAID was launched in September 2006 by five countries (Brazil, Chile, France, Norway and the United Kingdom). A year later, 27 countries⁵, alongside the Bill & Melinda Gates Foundation, confirmed their financial support for this initiative. It is mainly financed by the air-ticket solidarity levy proceeds and similar mechanisms, together with unprecedented long-term budget contributions and other multiyear predictable sources of private finance.

Hosted by the World Health Organization, UNITAID aims to step up long-term access for those who are most in need to high-quality medicines at negotiated prices to treat AIDS, tuberculosis and malaria. By pooling sustainable resources, lower prices can be obtained from pharmaceutical companies. The results are very significant for an initiative launched just one year ago: in June 2007, UNITAID had already disbursed over \$250 million in 80 beneficiary countries, primarily low-income ones. Price reductions for second-line AIDS treatments (ranging from 25% to 50% depending on the countries' income levels) and paediatric treatments (40%) were obtained in partnership with the Clinton Foundation.

- The International Finance Facility for Immunization (IFFIm):

In November 2006, the International Finance Facility for Immunization (IFFIm) was founded at the instigation the United Kingdom with financial backing from six countries (France, Italy, Norway, Spain, Sweden, United Kingdom), which were later joined by South Africa and Brazil. Established as a charity under British law, the IFFIm is expected to raise \$4 billion in coming years on financial markets to fund immunization programmes for children and strengthen health systems through the GAVI Alliance in the 70 poorest countries around the world. Legally binding grants from participating donor countries constitute the IFFIm's financial base. These countries have agreed to pay these obligations over 20 years. The IFFIm's bond issuance programme will take place over 10 years; the IFFIm's initial bonds were issued in mid-November 2006.

- The pilot Advance Market Commitment (AMC) for a pneumococcal vaccine:

In February 2007, a pilot Advance Market Commitment (AMC) for a pneumococcal vaccine was launched at the instigation of Italy and with the financial backing of five countries (Italy, Canada, Norway, Russia and the United Kingdom) and the Bill & Melinda Gates Foundation. This AMC aims to accelerate the development of new pneumococcal vaccines specifically targeted for

³ Benin, Brazil, Burkina Faso, Cambodia, Cameroon, Central African Republic, Chile, Congo, Côte d'Ivoire, Cyprus, France, Gabon, Guinea, Jordan, Liberia, Luxembourg, Madagascar, Mali, Mauritius, Mauritania, Morocco, Namibia, Nicaragua, Niger, Sao Tome and Principe, Senegal, South Korea and Togo.

⁴ Chile, Côte d'Ivoire, Congo, Korea, France, Madagascar, Mauritius and Niger.

⁵ Benin, Brazil, Burkina Faso, Cameroon, Central African Republic, Chile, Congo, Côte d'Ivoire, Cyprus, France, Gabon, Guinea, Korea, Liberia, Madagascar, Mali, Mauritius, Morocco, Namibia, Niger, Norway, Sao Tome and Principe, Senegal, South Africa, Spain, Togo, United Kingdom.

developing countries by guaranteeing to subsidise their future purchase, if they are successfully developed and there is sufficient demand on the basis of financial commitments from donors which are likely to total \$1.5 billion to be paid over 12 years.

- Remittances:

Several concrete initiatives have been taken to develop more accurate data, promote the exchange of information and best practices to reduce transmission costs of remittances. They also aim to help channel such remittances towards productive investments that foster development, including by promoting recipient families' access to financial and banking institutions. Cooperative efforts are being made by migrant communities, local governments, central governments in countries of origin and destination, banks, transfer operators and civil societies.

- The digital solidarity contribution:

Some of the founding members of this fund consider that the fight against the digital gap requires implementing an innovative financing mechanism. They proposed that a 1% contribution would be levied on the transactions related to information and communication technologies. This mechanism would be based on a voluntary commitment by any public or private institution to introduce such a criteria in its invitations to tender. During the meeting of the Leading group in Brasilia in July 2006, this mechanism was already considered to be productive .

- Fighting tax evasion and stemming illicit financial flows:

Another important innovative source of financing for development could come from the combat against tax evasion. Although this is a global concern, it affects more seriously the less developed countries depriving them of essential resources which could finance public services and investment. Effective solutions to this problem may require collective measures. ,There are several initiatives that could be explored, such as the adoption of the Financial Action Task Force standards, the preparation of a Code of Conduct on this issue or a possible mandate for the United Nations Committee of Experts on International Cooperation in Tax Matters. Chile presented these ideas in the framework of the Initiative against Hunger and Poverty, and they were endorsed by other countries, including Spain.

Norway also proposed to study the impact of illicit financial flows on developing countries and the solutions that might be proposed to solve this problem. Several countries, including Chile, France and Spain, agreed to join a taskforce on this issue chaired by Norway.