

New York, September, 14<sup>th</sup> 2005

## **Declaration on Innovative Sources of Financing for Development**

At the initiative of President Luiz Inácio Lula da Silva, of Brazil, we gathered in New York, on 20th September 2004, to discuss further international action to fight hunger, overcome poverty, and increase financing for development.

Since then, important developments have occurred. The fight against hunger and poverty and the international discussions of innovative sources of funding have gained momentum. The issue has become a regular feature in UN discussions on financing for development and has been in the agenda of multilateral financial institutions and other important international fora.

Our countries remain determined to translate our joint undertaking in financing for development into concrete advances. We are convinced that the Millennium Development Goals will simply not be achieved in many countries at present levels of aid flows.

We emphasize the urgent need for scaling up resources towards the fight against hunger and poverty through greater domestic resource mobilization, an open and fair international trade system and increased Official Development Assistance. Innovative financing mechanisms can play an important role to increase and supplement traditional sources of finance.

Greater domestic mobilization in developing countries is a necessity. It can be achieved by promoting good governance and taking action against corruption, by pursuing sound policies to encourage private sector activity, as well as through an improvement in tax collection and a reduction in tax evasion. There must be no relaxation of efforts currently underway to fight tax evasion.

ODA, however, will remain an essential component of any development strategy, especially for the poorest countries. We therefore call on all developed countries to strive to reach an ODA level of 0.7% of GDP by 2015, a target that some of them have already adopted or reached.

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Not only do we need more resources. We also need new types of resources. Quality of aid is as important as its quantity. We strongly believe that greater stability and predictability in aid flows would bring major benefits in terms of efficiency and impact on poverty by facilitating accountability and promoting ownership of reforms and policy design. These objectives could be reached through a menu of options, including inter-alia allocation of special drawing rights and coordinated measures to foster private voluntary contributions.

We will continue to consider the IFF, as proposed by the British Government, including refinancing mechanisms, as supported by a group of countries

We support pursuing the creation of international levies as an element in the development financing system, and are determined to continue to build consensus on this issue. These levies should be nationally applied and internationally coordinated mechanisms. They are

especially appropriate where the need for stability and predictability is greatest over a long period of time. They would bring continuity in development finance in the long run.

Remittances play a crucial role in the economy of developing countries, which are the main beneficiaries, accounting for 65% of all inflows. For those countries as a whole, remittances represent the second most important source of capital. Reducing the cost of remittances is therefore an urgent priority. With this aim, a draft resolution is being prepared for consideration by the General Assembly of the United Nations. We also plan to launch concrete initiatives in this field, based on the recent work of some countries and international organisations.

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In the near future, we will further work on and pursue the project of a solidarity contribution levied on air tickets for global sustainable development as supported by Brazil, Chile, France and Germany. The objective of this project is to combat hunger and poverty and finance global sustainable development, including the fight against HIV/AIDS and other pandemics.

The mechanism would be based on a small solidarity contribution levied on plane tickets issued to passengers departing from participating countries. In doing so, each participating country could determine, according to national priorities and taking into account economic, social and ecological criteria as appropriate, a differentiation between first/business and economy class tickets as well as domestic and international flights. The different capacities of developed and developing countries should be taken into account. The contribution should be set at levels that would minimize impacts on airlines, tourism industry and travellers.

From a legal point of view, the mechanism would work as a conjunction of nationally applied and internationally coordinated contributions. Participating countries would spell out the modalities of their cooperation, in accordance with domestic legislation.

It was agreed that the broadest possible participation by a critical mass of countries should be sought in order to minimize any possible remaining effect on competition and enhance the effectiveness of the proposed mechanism. For the same reasons, passengers in transit should be exempted from the solidarity contribution.

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We commit ourselves to work further on and support pursuing the project of solidarity contributions, first of all a solidarity contribution levied on air tickets. We welcome the French proposal to host a high level meeting on this initiative by February 2006 and the commitment by some countries to pave the way by establishing such a contribution on air tickets as soon as possible in 2006.

We remain fully committed to the fight against hunger and poverty as a priority in the international agenda. We believe that innovative sources of financing will be an essential tool in this effort. We strongly hope that all countries and institutions, which share our ambition, will join us in this endeavour.