

## Summary of the high level side event on innovative financing for development

New York, September 24<sup>th</sup> 2013



### Adopting a resolution on innovative financing for development during the 68<sup>th</sup> UNGA:

Mr Bashir Yuguda (Nigerian supervising Minister of National Planning), who co-chaired the event as President of the Leading group, presented Nigeria's project to promote a draft **resolution on innovative financing during the 68<sup>th</sup> UNGA**. According to Minister Yuguda, while this resolution will contribute to the current work on the financing framework for the implementation of the post-2015 agenda, the international community should also remain mobilized in favor the achievement of the MDGs until 2015. The other co-chair, Mr Philippe Douste-Blazy (Under Secretary General of the United Nations in charge of innovative financing for development), Mr Pascal Canfin (French Minister for Development), Mr Jean-Pierre Labille (Belgian Minister for Development) as well as Mrs Amina Mohammed (Under Secretary General of the United Nations in charge of the post-2015 agenda) all expressed their support to this draft resolution.

## Building the Leading Group's advocacy work on national initiatives of innovative financing:

Several panelists insisted on **the importance of communicating about existing examples of innovative financing** at the national level. Two categories of innovative financing should be distinguished: (1) **innovative sources**, such as solidarity taxes (air ticket levy and financial transaction tax, FTT) and the International Finance Facility for immunization (IFFIm) aiming at raising new financial resources for development ; and (2) **innovative mechanisms and instruments**, based on partnerships between private and public actors aiming at blending different types of funds in order to boost existing financial resources and create a better impact on development. The Global Health Investment Fund (new initiative launched by the Gates Foundation) is a good example. Innovative financing should be implemented on a voluntary basis according to national priorities, which does not prevent from promoting regional initiatives such as the European FTT.

Mr. Pascal Canfin mentioned France's recent implementation of a **financial transactions tax**, of which 10% goes to development, as well as its long-run participation in the **solidarity tax on airplane tickets** whose revenues are allocated to development initiatives, including **UNITAID**. Mr. Canfin encouraged other countries to follow suit.

Mr. Lapo Pistelli, the Italian Vice Minister of Foreign Affairs, voiced supported for the French FTT, and reported that Italy is one of eleven countries in the European Union committed to implementing a European FTT. Minister Pistelli also highlighted Italy's contributions to **GAVI** through the **International Finance Facility for Immunization** (IFFIm).

Mr. Raymond Offenheiser, Director of Oxfam USA, commended France on its leadership in innovative financing for development and for pushing the FTT idea in particular. He reported that this initiative is supported by 63% of European citizens and that a European-wide FTT would raise 30-35 billion Euros per year. Two concerns he raised, however, were whether the tax as currently drafted covers sufficient financial transactions and whether the revue generated would be directed toward development initiatives. To these concerns he proposed that the FTT be a broad based financial tax—on bonds, shares and derivatives—and that 50% of revenues be directed toward development and climate change issues. The Director of Stamp out Poverty, Mr David Hillman, also urged the French government – and others – to increase the portion of the FTT that would go to development to no less than 30%. Mr. Andris Piebalgs, the European Union Development Commissioner, also commended France on implementing the FTT and for apportioning 10% for development and said this established an important precedent for others. Mr.

Philippe Douste-Blazy proposed that 10-30% of the financial transactions tax should be allocated to

international development and assist in the financing of the post-2015 agenda.

### **The role of private flows in development financing:**

The importance of **mobilizing and leveraging the private sector** with respect to development finance was mentioned by numerous panelists, including the Mr. Pistelli, Ms. Hautala, Mr. Piebalgs, Ms. Rebecca Grynspan, UNDP Associate Administrator, and Mr. Mark Suzman, Managing Director of International Policy and Advocacy at the Bill and Melinda Gates Foundation. Innovative sources of financing represent innovative ways for the public and private sectors to work in tandem in support of development. Mr. Suzman also announced the Gates Foundation's launch (jointly with J.P. Morgan) of the **Global Health Investment Fund**, which provides debt and equity financing for drugs, vaccines and diagnostics in late-stage clinical development that are of particular benefit to the world's poorest people.

Mr. Pistelli also raised migration as an important counter-poverty measure, and noted that migration issues have not been given sufficient priority in the discussions so far surrounding the post-2015 agenda. He reminded the audience of the 2009 joint G8 and World Bank initiative (further supported by the G20 in Cannes in 2011) to reduce the average cost of **remittances** from 10% to 5% within five years. This initiative could increase the income of migrants and their families by 15 billion Euros annually—a very significant amount. He therefore urged the Leading Group on Innovative Financing to prioritize this and other remittances related initiatives. Ms. Rebecca Grynspan, UNDP Associate Administrator spoke of an increasing range of diaspora related initiatives including diaspora targeted sovereign bonds and diaspora targeted national development funds.

### **The fight against illicit financial flows:**

Another area which was widely discussed was the need to fight against illicit financial flows, corruption and tax evasion. Ms. Amina Mohammed, Special Advisor of the UN Secretary-General on post-2015 Development Planning, argued that developing countries need to broaden their tax bases, and to do this will need improved governance, especially in the extractives sector for resource-rich nations. Confronting tax havens is also an important part of this agenda. Mr. Offenheiser, Mr. Pistelli, Ms. Heidi Hautala, Finnish Minister of International Development all drew attention to tax evasion as a significant obstacle to development, and Mr. Offenheiser urged that OECD jurisdictions operating with secrecy regulations eliminate these by 2016 and advocated for automatic exchange of information. Mr. Heikki

Holmas, Norwegian Minister of International Development, argued that automatic exchange of tax information between countries must be the new global standard, and also proposed the development international regulation on transparency. Mr. Pistelli noted that combating illicit financial flows is prominent on the G20 agenda right now, and urged the Leading Group to seize current momentum to push this work forward.

### **The global framework of financing for development:**

Participants agreed, according to the Monterrey consensus, on the necessity to promote and find a global strategy of financing for development in which innovative financing sources and mechanisms would be well articulated with other means of implementation such as ODA, domestic resources, private flows and the fight against illicit financial flows. The communication of the European Commission on financing for development, published in July 2013, supported this global approach as reminded Commissioner Andris Piebalgs. Mrs Amina Mohammed highlighted the primary responsibility of developing countries in their own development and the necessity of a common action of the international community in favor of capacity building in countries from the South in order to better mobilize domestic resources. Mrs Heidi Hautala, Finnish Minister of International Development, insisted on the importance for developed countries to carry on their efforts to mobilize public resources to help developing countries. Several panelists also stressed that the new sources of funding for development should not be a replacement for ODA which should remain central and be complemented by other means of implementation to create a better impact on development.