

Solidarité & Mondialisation
Groupe pilote
sur les contributions de solidarité
en faveur du développement



Solidarity & Globalisation
Leading Group
on Solidarity Levies
to fund development

LEADING GROUP ON SOLIDARITY LEVIES TO FUND DEVELOPMENT

CONTRIBUTION TO THE FOLLOW-UP CONFERENCE ON DEVELOPMENT FINANCING

IN DOHA, 29TH NOVEMBER – 2ND DECEMBER, 2008

CONAKRY DECLARATION

The Leading Group on Solidarity Levies to Fund Development, consisting of 55 member countries, and working in conjunction with international organizations (particularly United Nations-related agencies) and representatives of the civil society, held its fifth plenary meeting in Conakry (Guinea) on November 6th and 7th 2008, in order to address a message to the Doha Conference on development financing. Poverty alleviation requires, more than ever under the current circumstances, a scaling up in the implementation of innovative financing mechanisms for development.

Innovative financing mechanisms 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 alike.

At the close of the Monterrey Conference in March 2002, the international community committed to increasing resources for development, including official development assistance

(ODA). During the 2005 World Summit, it urged developed countries that had not yet done so to make concrete efforts towards the target of 0.7 per cent of gross national income (GNI) as official development assistance.

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 the 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 risks of an overall ODA decrease and reaffirm the target of 0.7 per cent of GNI for ODA by 2015.

However, the urgency of the action against poverty has subjected us to the pressing obligation for promoting innovative financing mechanisms, with a view to increasing and supplementing traditional sources of finance.

We are convinced that the most stable and predictable aid flows within the existing aid architecture would considerably enhance aid effectiveness and its impact on poverty. A huge gap between traditional official development assistance and the economically-oriented efficiency of private financing mechanisms is widening in relation to increased needs for financing the Millennium Development Goals and global public goods, the arrival of new actors (private foundations, emerging donors) and the outdatedness of classical categories of developing/developed countries.

Innovative financing mechanisms fill this gap. They enable better redistribution of the benefits of globalization.

The Leading Group

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 sources 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. The report presented a range of innovative financing mechanism options, making it possible to establish a genuine framework for action.

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

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

This message was reaffirmed during the U.N. high level dialogue on the ODA in New York in September 2008, in the Declaration entitled “Action against hunger and poverty: *Declaration on Innovative Sources of Financing for Development*”, signed by the Heads of State and Government of the founding members. This event also gave an opportunity, at the initiative of the UK, to renew the mobilization for innovative financing sources in the health sector with the launching of a high-level taskforce on innovative international finance for health systems.

The consideration of the sources of innovative financing and their implementation are from now on conducted within the framework of the Leading Group on solidarity levies that brings together 55 member countries¹ and 3 observer countries², of various development

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,

levels, as well as major international organizations including the World Bank, WHO, UNICEF, UNDF, and NGOs. Following the constitutive Paris conference in February 2006, the Leading Group, led by a semester rotating chairmanship, met in Brasilia, Oslo, Seoul, Dakar and Conakry.

Actions and Deliverables

The added value of innovative financings lies in their additionality with respect to traditional official development assistance, their predictability, stability, their ability to correct, as much as possible, the negative effects of globalization. They aim at addressing the shortcomings of traditional official development assistance or those of the market.

The actions taken by the Leading Group has enabled it to identify a number of various innovative financing types: levies imposed on globalized activities, set up at the national level, within the framework of international coordination; prefinancing mechanisms based on financial markets, with a government guarantee or other public support, and with the financings based on market mechanisms; the facilitation by public officials of private sector voluntary levies (tax incentives, technical facilitation); and more generally, instruments whose implementation allows for financing instruments that neither official development assistance nor the market have been able to mobilize.

Innovative financing mechanisms must comply with the ODA efficiency principle as set forth in Rome and Paris Declarations and in Accra Agenda for Action of September 2008. They should avoid duplication, apportion mechanisms if necessary, promote transparent use of funds, and encourage synergies so as to facilitate their management by the beneficiaries. Assistance efficiency can also be encouraged through regional cooperation.

Guided by these principles, the Leading Group has identified, promoted or implemented the following mechanisms:

Germany, Guatemala, Guinea Bissau, Guinea, Haiti, India, Italy, Japan, 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 Egypt.

International solidarity levy on air tickets to finance the UNITAID international drug purchase facility

Twenty eight (28) countries³ have announced their intention to implement a solidarity levy of low amount on air tickets issued to passengers taking off from the territory of participating countries or a similar mechanism, in order to finance the pandemic disease control. In force in 11 countries⁴, without quantifiable impact on air traffic, it has already permitted to generate, in 2008, 300 million dollars in excess of traditional official assistance that will be secured from a year to another. These contributions are levied at the national level and are subject to coordination at the international level, since they are essentially appropriated for financing the UNITAID international drug purchase facility.

Launched in September 2006, UNITAID aims to step up long term access for those who are most in need of high-quality medical care at negotiated prices for treatment of AIDS, tuberculosis and malaria. Pooling sustainable resources helps to get lower prices from pharmaceutical companies. UNITAID has already pledged for more than 500 million dollars in 80 beneficiary countries, mainly in low income ones.

Price reductions for second-line AIDS treatments (ranging from 25% to 50% depending on countries' income levels) and pediatric treatments (from 40%) were obtained in partnership with the Clinton Foundation.

Promoting levies on air tickets remains a priority for the Leading Group which launched in Conakry a Task Force of African countries in order to convince the greatest number of states on the continent to implement, according to their own characteristics, this solidarity levy.

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

⁴ Chile, Côte d'Ivoire, Congo, Burkina-Faso, France, Burundi, Madagascar, Korea, Namibia, Mauritius, Niger.

International Finance Facility for Immunization (IFFIm)

In November 2006, the International Finance Facility for Immunization (IFFIm) was launched with the financial backing, and on the initiative of the United Kingdom, Spain, France, Italy, Norway, and Sweden. South Africa has since joined as an IFFIm donor, and Brazil is also considering joining. IFFIm should raise up to 4 billion U.S. dollars in the financial markets to fund immunization programmes and strengthen health systems. These programmes are run, in the 70 poorest countries in the world, through the GAVI Alliance. IFFIm is a British charitable foundation, and the World Bank is its Treasury Manager. Promises of grants from the State donors participating in the initiative are IFFIm counterpart and will help to reimburse the debts for a period of 20 years.

The pilot Advance Market Commitment for a pneumococcal vaccine

In February 2007, a pilot Advance Market Commitment (AMC) for a pneumococcal vaccine was launched on the initiative of Italy and with the financial backing of Italy, Canada, Norway, the United Kingdom, Russia, and the Bill & Melinda Gates Foundation, in cooperation with the World Bank. This mechanism aims to accelerate the development of new pneumococcal vaccines, specifically targeted for developing countries, by securing the financing for their future purchases, subject to efficient development and the existing adequate demands on the basis of grants by donors, which should amount to 1.5 billion U.S. dollars payable over twelve years. This well advanced project would be operational in 2009.

Migrants' transfers

The Leading Group has played a major role in raising awareness about the contribution of migrants' transfers in development. This is an important opportunity for exchange of good practices on transparency and reduction of the transfer costs of remittances, the setting up of mechanisms, particularly including tax mechanisms, and helping to channel such remittances towards productive or social investment in the migrants' countries of origin. These mechanisms must mainly facilitate access for the beneficiary families to the financial and banking institutions.

1 % Solidarity levy to finance Digital Solidarity Fund

The digital gap is a major obstacle to development. Access to information and communication technologies has become essential for knowledge transfer. Consequently, the Leading Group supports the voluntary contributions based on public contracts concluded in this sector. It supports the principles of a contribution of digital solidarity (the so-called “1 %”) promoted by Senegal and Guinea as well as the objectives targeted in the Convention on Digital Solidarity, with a view to assuring the adherence of the largest possible of the international community. This mechanism would be based on a voluntary commitment by any public or private institution to introduce such criteria in their invitations to tender. It points out the pioneering character of the act passed in parliament by Senegal in 2008 setting up such a voluntary contribution and calls upon all the countries to support those objectives during the conference on the Digital Solidarity which will take place in Lyon (France) on 24th November 2008.

Fighting tax evasion and stemming illicit financial flows

The Leading Group recognizes that substantial amounts of funds that could have contributed to development disappear through tax evasion and other illegal means, both in the North and in the South. This global problem is particularly serious in the Least Developed Countries, however, depriving them of resources essential for the financing of public services and investments. The global, annual amount of illicit financial flows is considerable, and it constitutes an important drain on developing countries’ resources for development. Norway has lead a Task Force on Illicit Financial Flows and their impact on development, and presented the final report with a proposal for follow-up work, including coordination of various initiatives, sharing of information, undertaking further studies, advocacy, and consideration of various recommendations and policy tools available. This will be the mandate of a new “Global Task Force” at the Global Financial Integrity program of the Center for International Policy, and under the direction of Norway and the Leading Group, with the participation of other interested countries and civil society organizations.

Climate change control and innovative financing mechanisms

The first victims of global warming are the least developed countries (LDCs), namely the ones that are less accountable for CO₂ emissions. The development of market mechanisms (CO₂ credits, mechanisms of clean development etc...) initiated by the European Union and expected to extend itself at world level, provides an opportunity to generate new resources to address that injustice and to finance actions for adaptation to climate change. Germany, within the framework of the Leading Group's Programme, has already decided to allocate part of the revenues from auctioning of CO₂ credits.

Taxes on financial transactions and foreign exchange operations

Initially presented in the "menu of options" in the Landau Report, taxes on financial transactions and foreign exchange operations consist in a low levy from activities characteristic of globalization and those little taxed ones.

Several countries have committed themselves in this regard: after France in 2001, Belgium adopted in 2004 a parliament act setting up this tax, but the enforcement of which would depend on its implementation at the level of the whole Union. Austria is also interested in setting up a similar mechanism to finance the community budget.

Considering the potential of those instruments in term of mobilized resources, the Leading Group called upon all the states to seriously consider the implementation of these instruments and to totally or partially allocate their proceeds for development.

Voluntary Solidarity Levies

After the RED mechanism based on voluntary levies related to the use of credit cards (proceeds go to the Global Fund to Fight AIDS, Tuberculosis and Malaria), a new project in partnership with the global systems of air ticket reservations (Saber, Galileo, Amadeus) is underway. A Millennium Foundation for innovative financing in health sector is being set up to receive the proceeds from those voluntary contributions levied from purchase of air tickets by individuals or enterprises with a potential of nearly one billion dollars in 2011. The revenues from those levies must be allocated to the millennium health objectives and give highest priority to UNITAID, which participates in project as recipient. These voluntary solidarity levies (CVS) will not be set up in countries having adopted air tickets tax or have initiated a legislative procedures in this regard.

Mapping of innovative mechanisms

The Leading Group has a mission to explore all innovative financing instruments, including : those seeking to offset market failures, mechanisms adapted to the economic capacity of reimbursement by states (for example: contra-cyclical loans); guarantees for investments; investment funds for development; the implementation of IMF Special Drawing Rights (SDR) as contra-cyclical mechanisms to counter trade and finance shocks that affect developing countries, etc. In this regard, it takes note of the typology and systematic identification work initiated by the World Bank. The Leading Group is expected to regularly update knowledge on innovative financing mechanisms, especially as they arouse increasing interest, particularly in the current economic context.

Conclusion

The Leading Group has a mission to extend and diversify its action. It is a platform for proposal and implementation. It is the leading actor for mobilization that prevails for addressing development needs that would not be able to cover traditional public assistance and market mechanisms. While Monterrey has marked the starting point of the innovative funding, Doha must form a significant milestone to implement them by the international community.

The Leading Group underlines the importance of taking into account of all innovative mechanisms it supports in the final Doha declaration, especially in its paragraph 38, which is dedicated to them. It calls upon the international community to adhere to innovative financing mechanisms for development. At last, the countries of the Leading Group express their desire that other states and other organizations join the Leading Group in order to make certain that the Millenium Development Goals are met by 2015.