



## **Side-Event on Innovative Financing organized by the Leading Group and the United Nations on the sidelines of the Fourth United Nations Conference on Least Developed Countries – Summary Report and Perspectives. Istanbul, 9 May 2011.**

On 9 May 2011, a High-Level Side-Event entitled “Innovative Financing: A Solution to Meet Development Goals of LDCs” was held on the sidelines of the Fourth United Nations Conference on Least Developed Countries. Organized jointly by the Leading Group on Innovative Financing for Development and the United Nations, this side-event was proposed on 21 September 2010 in New York and later at the 8<sup>th</sup> Plenary Meeting of the Leading Group in Tokyo in December 2010 under Japan’s presidency.

Under Mali’s presidency, this event brought together over 200 people and speakers included many prominent political leaders from member countries (Germany, Benin, Brazil, Mali, Senegal, France, Spain, Portugal, Norway, European Commission), international organizations (World Bank, FAO, African Union) and private actors (Gates Foundation) involved in its work.

Modibo Ibrahim Touré, Malian Minister of Posts and New Technologies, Henri de Raincourt, French Minister responsible for Cooperation, and Philippe Douste-Blazy, Special Adviser on Innovative Financing for Development, on behalf of the United Nations, opened the event.

*In this opening session, Mr Touré* reiterated the need to strengthen the role of innovative financing, a necessary addition to traditional official development assistance (ODA). He underscored that “achieving the development goals for a world of peace, stability, freedom and free from extreme poverty” could only be possible with the use of this source of financing.

**Mr de Raincourt** stressed the need to adapt development financing tools to today’s world (“we will not be able to meet 21<sup>st</sup> century needs with resources of the past”). After he pointed out some key figures (nearly \$6 billion in five years were collected with existing mechanisms), he stressed the feasibility and interest of a micro-tax on financial transactions.

To conclude the opening session, **Mr Douste-Blazy** also highlighted the need to scale up this type of financing, through additional funds, but also by spending them more effectively. He talked about the example of UNITAID, (“some \$2 billion have been raised in five years despite initial scepticism”). He encouraged countries to take initiatives, particularly regarding the financial transaction tax.

The **Panel I** session entitled “*Enhancing the quantity of aid: Innovative sourcing*” was moderated by **Jean-Marie Ehouzou**, Beninese Foreign Affairs Minister. He drew participants’ attention to the intrinsic limits of ODA (“should we continue to focus on the 0.7% as we have for 40 years or begin to think differently?”). He asked for strong support and action on the part of the African Union. He likewise underpinned efforts to be made in terms of governance to manage these new sources of financing as effectively as possible.

The first panel participant, **Andris Piebalgs**, European Commissioner for Development, explained the need to use innovative financing in addition to traditional ODA (“if we want to achieve the development goals, it is clear that we need to raise fresh funds. Innovative financing therefore has a



crucial role in this respect”). He then reported on the progress of work by the European Union, which is currently studying the immediate feasibility of a financial transaction tax mechanism.

**Hans-Jürgen Beerfeltz**, German State Secretary of the Federal Ministry for Economic Cooperation and Development, talked about the importance of the private sector and the potential of microcredit and cooperation with private investors. (“Germany considers mobilising private financing for development the creative and innovative way forward.”)

**Ms Ingrid Fiskaa**, Norwegian State Secretary for the Environment and International Development, expressed her concern about illicit financial flows that impoverish developing countries and recalled the need to tackle this problem. She previously highlighted the use and the feasibility of a financial transaction tax (“The committee of experts recommends a global currency transaction levy of 0,005% which could generate USD 34 billion a year for global public goods.”)

The Malian Minister and moderator of the session, then underlined the potential of such mechanisms that are established in developing countries themselves, drawing on Mali’s experience of an air-ticket levy which has raised nearly \$1 million in two years.

The Panel II session entitled “*Improving the quality of aid: Innovative spending*” began with **Axel van Trotsenburg**, Vice President of the World Bank, explaining the importance of innovative financing for the World Bank. He stressed the interest of the spending aspect of such financing mechanisms and talked about the World Bank’s experience, citing such examples as the IFFIm and Education for All. He likewise reiterated the challenge various partners are facing which is proving that innovative financing generates additional funds that do not end up replacing traditional aid for certain sectors (“*innovative financing can fill gaps in the international aid architecture*”).

**Jose María Fernández de Turiso**, Director General of Development Policy Planning and Assessment at the Spanish Ministry of Foreign Affairs and Cooperation, then discussed the desire of Spain, next holder of the Leading Group presidency, to establish a financial transaction tax. He also stressed that innovative financing mechanisms should go hand and hand with work on aid effectiveness (“these two processes are essential for all actors which should look for an inclusive and human development.”)

This Panel II session was cut short because it was announced at the last minute that two panellists were unable to speak: Desalegn Hailemariam, Ethiopian Deputy Prime Minister and Minister of Foreign Affairs and Thomas Debass from the United States Department of State. Discussions ended on the need to extend analysis and expertise work, particularly from now until the next Leading Group meeting in Bamako.

The Panel III session entitled “*The way forward: Responding to the present needs of LDCs: avenues for future action*” was moderated by **Madické Niang**, Senegalese Minister of Foreign Affairs, who reaffirmed Senegal’s involvement in the Leading Group (Senegal held the presidency from 2007 to 2008), stressing the role of Senegal’s President Abdoulaye Wade in setting up a digital solidarity fund. He took advantage of the event to announce Senegal’s upcoming signing of the declaration on a financial transaction tax (“very soon we will put the official adherence of Senegal to this important declaration in writing”).



**João Gomes Cravinho**, Portuguese State Secretary for Cooperation, then supported the idea of a financial transaction tax. He also took the opportunity to reiterate that it was necessary to adapt aid mechanisms to the globalized world in which we are evolving. Finally, he highlighted the need to curb illicit financial flows, particularly in LDCs and the crucial role of good governance in the use of funds (“good governance, in particular efficient and fair tax systems, is indispensable for sustainable growth”).

**Lila Hanitra Ratsifandrihamanana**, Director of the FAO Liaison Office with the United Nations, pointed out similarities with food security. She first underscored the importance of the agricultural issue for coming years then explained two types of mechanisms. The first one would be a way of “catalysing private investment in the agricultural value chain”, while the second one aims to “an extension of voluntary contributions and solidarity taxes to agricultural development”. The FAO is currently working on possible innovations including the private and public sectors.

**Orin Hasson**, representative of Bill and Melinda Gates Foundation, focused on aid effectiveness and concrete outcomes. In addition, echoing Ms Ratsifandrihamanana’s remarks, he reiterated the need to draw on this sector and underlined the importance of helping the poorest countries in priority. (“directing more of the aid monies to the poorest countries”)

**Carlos Den Hartog**, Coordinator of Innovative Financing Mechanisms for the Eradication of Hunger and Poverty at the Brazilian Ministry of Foreign Affairs, talked about Brazil’s many undertakings in the area of innovative financing. He likewise stressed the need to address malnutrition and alleviate poverty in the LDCs. Finally, he concluded by encouraging the Leading Group to make education a top priority (“Brazil thinks that the next challenge should be education”).

**Jean Ping**, Chairman of the African Union Commission, concluded the side-event, stressing the different possibilities innovative financing offers through the five major types of mechanisms. He recalled that innovative financing was more than additional resources (“innovative financing mechanisms are not just new types of financing, they are additional resources in terms of quantity, but also in terms of quality”), and urged countries to prove their effectiveness through example.

### **Conclusion:**

Bringing together a number of prominent figures who are strongly committed to innovative financing, this event contributed to the promotion of innovative financing for development and went beyond the strictly quantitative issues. It showed that the scaling up for which the international community is calling can be seen in concrete examples. It likewise underscored the importance of expertise that we should develop with country-by-country case studies on broader issues like activities benefitting from globalization.

The side-event was a clear success due to the large number and quality of speaker contributions. It was an interesting step forward in the development of arguments in favour of financial transaction tax for development, ahead of the 9<sup>th</sup> Leading Group Meeting in Bamako on 24 and 25 June.