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# Breaking the Taboo: Perspectives of African Civil Society on Innovative Sources of Financing Development



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## EXECUTIVE SUMMARY

### Background to the civil society consultation

The civil society consultation on innovative development financing mechanisms held in Dakar, Senegal, 19–20 April 2008 was occasioned by the Fourth Plenary Meeting of the Leading Group on Solidarity Levies to Fund Development, also held in Dakar, 22–23 April 2008. The consultation was the only meeting place for civil society in advance of the meeting of the Leading Group and provided an opportunity not only for learning, but also for priority setting and the development of a clear message from African civil society organisations to the Leading Group.

The consultation comprised 30 participants drawn from national and regional civil society organisations (CSOs) and coalitions in West Africa, East Africa and Southern Africa, representing ten Commonwealth and Francophonie member countries.<sup>1</sup> It aimed to deepen understanding and build support among African civil society organisations for initiatives on global taxation and innovative financing mechanisms in general, as well as to advance advocacy strategies for follow up to the International Conference on Financing for Development to be held in Doha, Qatar, 29 November–2 December 2008. Participants were asked to share experiences and learning on key issues related to financing for development. Resource people from academia, diplomatic missions and civil society organisations engaged in the innovative sources of development financing discourse were invited to provide essential background information.

The content of the workshop included:

- An introduction to the origin, purpose and *modus operandi* of the Leading Group on Solidarity Levies to Fund Development;
- An overview on current and prospective revenue streams for development;
- A presentation on the origin, current operation and prospects for the airlines levy and UNITAID – an international drug purchase facility established in 2006 by France, Brazil, Chile, Norway and the United Kingdom to provide long-term, sustainable and predictable funding to increase access and reduce prices of quality drugs and diagnostics for the treatment of

HIV and AIDS, malaria and tuberculosis in developing countries;\*

- A presentation on the Currency Transaction Tax (CTT) proposal and its suggested implementation;
- A presentation on the digital solidarity levy: progress, private sector involvement and governance issues;
- An overview of the tax with migrants' remittances;
- Discussions on strategies at the national and international level, with special attention to the 'Road to Doha'.

*\*In a joint declaration on 2 June 2006, Brazil, Chile, France and Norway established the 'foundations' of the International Drug Purchase Facility, which has been renamed UNITAID in all languages.<sup>2</sup>*

The consultation was co-sponsored and organised by Conseil des ONG d'Appui au Développement (CONGAD) in Senegal; Social Watch, based in Uruguay; the North-South Institute, based in Canada; and the Commonwealth Foundation, based in the UK.<sup>3</sup> Primary funding was provided by the Commonwealth Foundation and extensive logistical support by CONGAD. A small planning group of Cheikh Tidiane Touré (CONGAD), Seth Lartey (Commonwealth Foundation) and John Foster (North-South Institute and Social Watch) organised the consultation.

1. A list of participants is attached at annex 1  
2. Foster, J., *Beyond Consultation: Innovative Sources in Social Watch Report 2006*, Uruguay, 2006.

### Significance of the Dakar civil society consultation

The International Conference on Financing for Development held in March 2002 in Monterrey, Mexico was characterised by the active participation of the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the five regional commissions and other bodies within the UN system, as well as representatives of civil society and the private sector which participated in the Conference and its preparatory process.

The Conference adopted the Monterrey Consensus, in which developed, developing and transition economy countries pledged to undertake important actions in domestic, international and systemic policy matters.

Monterrey encompassed a significant variety of financing for development-related issues that are of concern to civil society, such as debt relief and financial crises, official development assistance (ODA), foreign direct investment (FDI) and the relationship between international trade and development. It also included systemic issues such as the governance of international financial institutions, and the representation and relative power enjoyed by developing countries in those institutions.<sup>4</sup>

The Financing for Development process has an extensive agenda and provides a unique opportunity for engagement in a wide range of issues and mobilisation of different civil society groups. At the same time, it poses the challenge to coordinate different civil society groups. The 2002 Monterrey Consensus has six pillars:

- Mobilising domestic financial resources for development;
- Mobilising international resources for development;
- Promoting international trade as an engine of development;
- Increasing international financial and technical cooperation;
- External debt relief and sustainability;
- Addressing systemic issues.

There are defensible rationales for keeping the agenda as broad as it is. However, to really ensure that it is a forum for advancement and not just for talk, it needs to be influenced by stakeholders. That is why meetings such as the civil society consultation and the Fourth Plenary of the Leading Group are important. The organisation of what one might call ‘ginger groups’, such as the Leading Group on Solidarity Levies to Fund Development, groups of the willing, perhaps, who will advance applied research, develop pilot initiatives, implement them, and continually press the broader community to join and act, is key, and consultations like the Dakar meeting play a crucial role in this regard.

### Making civil society voices heard

#### Breaking the Taboo has two aims:

- Firstly, it is a report of the proceedings of the consultation, available in hard copy in English and French, and for e-distribution through the websites of the Commonwealth Foundation, Social Watch, North-South Institute and CONGAD.<sup>5</sup>
- Secondly, it highlights the voices of African civil society in the discourse on innovative sources of financing. With two African Heads of State taking on the Presidency of the Leading Group of Solidarity Levies to Fund Development (Senegal, October 2007–April 2008, and Guinea, April–October 2008), this is an opportunity for African CSOs, whose voices have hitherto not been heard much in discussions and deliberations of the Leading Group, to articulate their issues and concerns and make contributions to the innovative financing discourse and process.

In its seven chapters, *Breaking the Taboo* provides a snapshot of some of the issues and concerns shared by civil society at the consultation in Dakar. Its content has been informed by a civil society background paper on innovative financing, and by country and thematic papers prepared by civil society researchers. It draws on the perspectives, experience and analysis of civil society organisations that were present at the consultation and makes recommendations for civil society action in the run-up to the Doha Conference in November 2008. The background, country and technical papers are available from the websites of the co-sponsoring organisations listed at annex 3.

3. Information on co-sponsoring organisations is attached at annex 3.

4. Molina, N., Financing for Development: from Monterrey to Doha, European Network on Debt and Development, January 2008

5. See annex 3.

## 1. INTRODUCTION

### 1.1 Origins of the innovative financing mechanism process<sup>6</sup>

In 2003, President Jacques Chirac of France commissioned a working group on new international financial contributions headed by Jean-Pierre Landau, Director for France at the European Bank for Reconstruction and Development (EBRD) and Minister Counsellor in Charge of Financial Affairs at the French Embassy in London, UK.<sup>7</sup>

The group's terms of reference were to:

- Identify and take stock of new ideas and initiatives under discussion and those already being implemented in France and other countries, such as voluntary automatic contributions (credit card, road taxes, extra euro cent charged on units of water consumption); and
- Make recommendations on:
  - o the bases for and methods of collection of possible contributions (energy use, trade in or consumption of some specific goods, international financial transactions);
  - o how revenues should be allocated and managed to ensure that they are spent in the most efficient, democratic and transparent way;
  - o best approaches for taking those ideas forward in international fora.

The output from this working group, *The Landau Commission Report on Innovative Development Funding Solutions*, was published in December 2004 and made the case for establishing levies, coordinated internationally but implemented at a national level.

Prior to the publication of the report, President Lula da Silva of Brazil and President Jacques Chirac of France made a joint declaration on action against hunger and poverty at the World Leaders Summit on Action Against Hunger and Poverty held at the United Nations in New York. Both leaders noted the need to find additional resources for financing development beyond official development assistance. In the follow-up to the *Landau Commission Report* and the World Summit on Action Against Hunger and Poverty, 79 countries endorsed

a Declaration on Innovative Sources of Financing for Development adopted on 14 September 2005 at the UN.

When Action Against Hunger and Poverty was announced at the World Leaders Summit in 2004, the thought that it might take concrete shape within two years in a linking of innovative instruments to provide additional development funding seemed a dream. Hostility towards new, possibly global, levies, like the Currency Transaction Tax, was palpable, particularly in the United States. The idea of a tax on air travel or a carbon tax seemed equally unrealistic.

The innovative financing agenda really got underway when President Chirac opened, the international conference on *Solidarity and Globalisation: Innovative Financing for Development and against Pandemics*, held in Paris, France, in 2006. The conference was attended by approximately 600 delegates, including 93 Heads of State, more than 70 Ministers and Senior Officials, and representatives of many multilateral organisations and non-governmental organisations (NGOs). President Chirac commented:

Following years of adhering to the widespread illusion that globalising the economy would be enough to solve all development problems, the international community is finally accepting the need for solidarity. The solution is new financing mechanisms that mobilise part of the benefits of globalisation. The proposals were considered completely unrealistic a very short time ago. They were even a taboo in certain international organisations. Now they are

6. [http://www.halifaxinitiative.org/index.php/faqs\\_leading\\_group#11LG](http://www.halifaxinitiative.org/index.php/faqs_leading_group#11LG)

7. From 2001 to 2006, Jean-Pierre Landau was Director for France at the European Bank for Reconstruction and Development and Minister Counsellor in charge of financial affairs at the

French Embassy in London, UK. Mr Landau was appointed Second Deputy Governor of the Banque de France in January 2006. Source: <http://www.banque-france.fr/gb/instit/organ/landau.htm>

discussed in all the major international forums ... With these contributions, we are going to extend our solidarity base using a fraction of the new wealth created by the globalisation process, a large part of which escapes States' taxation. We are going to use the most advanced techniques of our modern economy in the interest of the poorest.'<sup>8</sup>

Two key points emerge from this speech. Firstly, globalisation has been very uneven in its effects: it has brought great profits to some, but these profits remain largely untaxed. Secondly, the international community has a responsibility to ensure that any funds gained by new levies were in *addition* to ODA, predictable and sustainable.

The Paris Conference opened up the global discussion on innovative financing, particularly the possibility of new taxes or levies, a subject which had been taboo, largely due to US power, inside the UN and beyond. As President Chirac stated, while globalisation has been profitable for some, the profits have gone untaxed and are unavailable to many. Further, as he indicated with specific reference to the need to sustain consistent treatment for people affected by HIV and AIDS, means of financing which are additional, sustainable and predictable must be found.

### 1.2 What is the leading group and how is it organised?

The Leading Group on Solidarity Levies to Fund Development, which is moving discussions around innovative financing mechanisms forward, is an informal inter-governmental body, with a Presidency that rotates every six months. To date, France, Brazil, Norway, South Korea and Senegal have all held the Presidency. The Leading Group pursues its work plan through periodic meetings, and through working groups and initiatives that result from these meetings. It has its origins in the Action Against Hunger and Poverty Statement and is advised by an Expert Group of specialists in finance appointed by some of the participating governments.<sup>9</sup>

The Leading Group is a space where new innovations, proposed by one country or another can be elaborated, seek a critical mass of support and be undertaken. For

example, in 2006 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 their countries, or to use a similar mechanism, to finance the fight against major pandemics. Applied in eight countries with no measurable impact on air traffic, it has already raised US\$250 million in 2007 over and above conventional aid. The contributions are levied by each country, but coordinated at an international level and primarily channelled to the international drug purchase facility, UNITAID. The initial experiment with the airline ticket levy supporting the UNITAID drug purchase facility moved from idea to reality very quickly, in a period of months.

The Leading Group has always been a relatively open and flexible process that welcomed civil society participation as well as academics and the private sector. This is a strong point, but also a weak point, as it is not always clear who is taking the lead on a particular initiative and whether financial support for civil society participation will be available.

### 1.3 Menu of proposals

The Leading Group has met approximately every six months since the 2006 Paris Conference, with an expanding agenda which now includes, inter alia:

- The airline ticket levy and UNITAID (\*)
- The International Financing Facility
- The International Financing Facility for Immunisation (\*)
- The issue of illicit flows, capital flight and tax evasion (\*)
- The Currency Transaction Tax
- Advanced market commitments for vaccine development (\*)
- A new issue of Special Drawing Rights
- Carbon taxes
- Migrants' remittances
- Digital solidarity (\*)

The various initiatives marked (\*) are at different stages of implementation. Some have considerable CSO support, for example the airline ticket levy and UNITAID. In some cases, CSOs have lined up with one or more sympathetic governments to get something on the agenda

of the Leading Group – for example, the Norwegian-led International Task Force on Illicit Financial Flows and Capital Flight. In other cases, CSOs have shown very limited enthusiasm, such as the Advanced Market Commitments scheme. In some cases, CSOs are still campaigning for an initiative, but governments have not gone beyond making sympathetic noises. Examples of this include the Currency Transaction Tax and Currency Transactions Development Levy.

### 1.4 Putting together the pieces: innovative sources of financing and the Doha agenda

The consensus reached at the March 2002 International Conference on Financing for Development in Monterrey, Mexico, and reaffirmed at the World Summit on Sustainable Development in Johannesburg, South Africa in August 2002, marked an important milestone in the process of global development. It created a new development partnership based on mutual accountability between developed and developing countries, and a new global commitment to achieving real improvements in growth and global poverty reduction, as expressed in the Millennium Development Goals (MDGs), with mechanisms for monitoring progress and actions of all parties. It recognised that the starting point must be country-owned development strategies based on good governance, sound policies and institutions; that for all countries trade is a key source of growth and that developing countries need better access to global markets, with the WTO Development Agenda agreed in Doha in 2001 marking an important step forward; and that development partners need to harmonise their policies, operations and practices in support of national strategies and plans, and to do so with substantial increases in resources – from both private and official sources – if the MDGs are to be met.<sup>10</sup>

In 2007, as the midway point for the attainment of the 2015 Millennium Development Goals targets approached, the UN published the *Millennium Development Goals Report 2007*<sup>11</sup>. The report presented the most comprehensive global assessment of progress to date. It suggested that progress was being made even in the regions where challenges are greatest. For example, poverty declined in sub-Saharan Africa by 6%; enrolment of primary school children in the developing world rose from 80% in 1991 to 88% in 2005; and child mortality rates have gradually declined.<sup>12</sup>

The report also highlighted some key challenges, including:

- The number of people dying from AIDS worldwide increased to 2.9 million in 2006. In 2005 more than 15 million children had lost one or both parents to AIDS;<sup>13</sup>
- Over half a million women still die each year from treatable and preventable complications of pregnancy and childbirth. The odds that a woman will die from these causes in sub-Saharan Africa are 1 in 16 over the course of her lifetime, compared to 1 in 3,800 in the developed world.<sup>14</sup>

According to an UNCTAD<sup>15</sup> estimate for sub-Saharan Africa, meeting the 2015 MDG targets would require an additional US\$50 billion to reach a total of US\$150 billion. The *2007 Millennium Goals Report* notes that for 'success in achieving the MDGs in the poorest and most disadvantaged countries ... Developed countries need to deliver fully on longstanding commitments to achieve the ODA target of 0.7% of gross national income (GNI) by 2015. It requires, in particular, the Group of 8 industrialised nations to live up to their 2005 pledge to double aid to Africa by 2010...'<sup>16</sup> Add to this the figures estimated to be needed to help countries deal with mitigation of climate change and adapt to its unavoidable impacts and it raises the question: where is this extra funding going to come from: private flows, multilateral lending or bilateral loans and grants? Of these, private flows are not a reliable source of finance for many developing countries. Multilateral financial institutions are increasingly marginalised as a source of development finance. Bilateral aid not only falls short of what is required, but also its availability and allocation are often driven by political considerations. Furthermore, flows of ODA are limited, often unpredictable (depending on national political and budget priorities and pressures) and, despite pledges by a number of donors to increase their aid at the G8 summit in Gleneagles, ODA has declined in relative terms since 2006.<sup>17</sup> Therefore, there is clearly a need for a fundamental rethink of financing for development.

The innovative financing initiative is about a menu of practical projects, from UK Prime Minister Gordon Brown's International Finance Facility (IFF) and International Finance Facility for Immunisation (IFFm), Jacques Chirac's air ticket levy, to interest in the cur-

8. Speech by Jacques Chirac to participants at the Paris Conference. Available from [www.diplomatie.gouv.fr](http://www.diplomatie.gouv.fr)

9. [http://www.halifaxinitiative.org/index.php/faqs\\_leading\\_group#11LG](http://www.halifaxinitiative.org/index.php/faqs_leading_group#11LG)

10. Commonwealth Secretariat, Delivering the Monterrey Consensus: A Commonwealth Action Plan, London, 2002.

11. Available at <http://www.undp.org/mdg/>.

12. United Nations, The Millennium Development Goals Report, United Nations, New York, 2007.

13. Ibid.

14. Ibid.

15. United Nations Conference on Trade and Development.

16. United Nations (2001), Technical Report of the High-Level Panel on Financing for Development. Also available from [www.un.org/reports/financing/report\\_full.htm](http://www.un.org/reports/financing/report_full.htm)

17. [http://www.halifaxinitiative.org/index.php/faqs\\_leading\\_group#11LG](http://www.halifaxinitiative.org/index.php/faqs_leading_group#11LG)

rency transaction tax (see section 2.1). Civil society organisations are interested in several of these initiatives and have raised other themes, including a carbon tax and debt cancellation. A good deal of interest in advancing government action against tax evasion has also been expressed by CSOs.

The innovative financing efforts by 'like-minded' coalitions have benefited from the support of the UN Secretary-General. They have utilised the UN to brief, encourage and report on participation and progress. There have been encouraging signs of UN commitment to the innovative financing agenda. For example:

- The UN Secretary-General has appointed a Special Advisor to highlight innovative financing, Philippe Douste-Blazy, former Foreign Minister of France, and chair of UNITAID. He was one of the voices raising initiatives like the Currency Transaction Tax at the UN ECOSOC High Level Meeting in New York in April 2008;
- An NGO campaign on the CTT was initiated at the High Level Meeting and proponents are taking part in this consultation;
- A new Development Cooperation Forum of the ECOSOC has been set up, which meets next in New York, 30 June–1 July 2008.

The follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, Qatar in November 2008 offers the opportunity to broaden the agenda to consider longer-term issues of global economic governance and economic policies for equitable sustainable development. If the international community is going to move beyond business as usual, it will have to experience more pressure, more urgency, more creativity and more innovation than is currently apparent.

## 2. DAKAR: COMING TOGETHER

This section reports on the proceedings of the civil society consultation on innovative development financing mechanisms held in Dakar, Senegal.

19–20 April 2008

### 2.1 Overview

Ms Vore Gana Seck, President of CONGAD, welcomed participants to Dakar and the Consultation. CONGAD works collaboratively with many other organisations in Senegal and the West African sub-region. In particular, it is the host for the regional secretariat of Réseau des Plates-formes nationales d'ONG d'Afrique de l'Ouest et du Centre (REPAOC), a coalition of eight national councils of NGOs in West and Central Africa engaged in the service of development and sustained promotion of human rights. She explained the priorities of CONGAD, the interest of the organisation and its member bodies in aid effectiveness, financing for development and migration. Clearly, issues on the Financing for Development and Innovative Financing agendas intersected with priority concerns in Senegal: migrants' remittances, the need for a carbon tax to fund the costs of climate change and ongoing issues of trade and debt, particularly as they relate to Economic Partnership Agreement negotiations with the European Union. Ms Seck had participated in the 2006 Paris Conference, which led to the formation of the Leading Group on Solidarity Levies to Fund Development, the airlines levy and UNITAID, all positive initiatives.

In his opening remarks, Seth Lartey, Programme Manager, Commonwealth Foundation, noted that 'the breadth of the Monterrey Declaration provides a unique opportunity for engagement in a wide range of issues and mobilisation of different civil society groups, which poses the challenge of coordination.' Mr Lartey informed participants that the Commonwealth Foundation is an intergovernmental organisation established by Commonwealth governments in 1965 with a mandate to strengthen the ability of civil society organisations to work with and alongside governments in delivering democracy, development and cultural understanding. The Foundation supports the work of Commonwealth civil society organisations by:

- Providing grants for capacity building, networking, and regional co-operation and consensus building among CSOs;
- Managing special programmes that seek to develop lessons and methods for greater citizen participation in governance;
- Facilitating programmes that seek to build partnerships between civil society and governments, as well as to ensure that the voices of civil society are heard in the Commonwealth's official processes.

Mr Lartey explained that the Foundation's mission is not just to strengthen civil society, but to facilitate connections and thus synergies between civil society and governments. He concluded that the way the civil society/government interface can be made to work, for the good of humankind is at the heart of the Foundation's purpose. Thus the civil society consultation was also at the heart of the Foundation's purpose.

Mr Lartey noted that the Dakar Consultation focused on one major theme, innovative financing, but there are five others included in the 2002 Monterrey Consensus, namely:

- Mobilising domestic financial resources for development;
- Promoting international trade as an engine of development;
- Increasing international financial and technical cooperation;
- External debt relief and sustainability;
- Addressing systemic issues.

Mr Lartey concluded, noting the diversity of groups present, by asking ‘how we can all come together as one to garner this richness and diversity, and mobilise actors in the last six months on the road to Doha. We need to ensure that strong messages are transmitted from civil society organisations and that robust programmes of action are adopted by governments.’

John Foster, Principal Researcher, North-South Institute, noted that the roots of the consultation reach back to the 2007 World Social Forum in Nairobi, Kenya, with discussions among Social Watch members there, and conversations with the Commonwealth Foundation developing the concept and a meeting of minds with CONGAD representatives at meetings in New York and Montreal. He explained that the North-South Institute is Canada’s first independent, non-governmental and non-partisan research institute focused on international development. The Institute provides research and analysis on foreign policy and international development issues for policy-makers, educators, business, the media and the general public. For more than 25 years, the North-South Institute has built a reputation for sound, credible analysis of pressing issues related to global development.

It seemed opportune to ensure that African civil society organisations could take full advantage of the meeting of the Leading Group in Dakar, and have a chance to strategise regarding innovative financing proposals and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha.

## 2.2 Economic context

Speaking at the Dakar Consultation, Sony Kapoor, Strategy Consultant to the International Task Force on Illicit Financial Flows and Capital Flight based in the Royal Ministry of Foreign Affairs, Norway,<sup>18</sup> provided a background of current development challenges set against the backdrop of the global context of ongoing pandemics, escalating food prices, environmental disaster and climate change. He made the following points:

- **Capital transfers:** exposing the myths, in particular revealing the reality of capital transfer from the developing countries to the developed;
- **Money quality:** the quality of aid, the current downward trend in aid commitments, the continued overhang of debt and the ongoing role of foreign

direct investment;

- **International governance,** including reform of the financial sector, the World Bank and the IMF;
- **Current and recurrent financial system instability:** the sub-prime mortgage crisis in the United States and its global effects;
- **National governance:** the loss of policy space through financial conditionality, trade and investment agreements;
- **Undermining of capacity:** domestic resource mobilisation, retention and recovery.

The vast transfer of funds from South to North via capital flight, tax evasion, negative recorded resource transfer, corruption and stolen assets, represents a real tragedy. The initiative around innovative sources of financing can be part of the answer. It can contribute to establishing the legitimacy of international taxation, including the current pilot solidarity levy on airline tickets. It can press the case for redistribution from those who benefit from globalisation to those who have been left out.

It is important to conceive of **effective taxation of the use of natural resources.** On air traffic alone, one could tax fuel, expand the ticket tax, tax emissions, and tax air corridors and airports more effectively. With regard to other natural resources, carbon taxes, the taxation of maritime traffic and tolls on the use of channels, and taxing the transport of hazardous materials are all possible.

Also relevant is the concept of *taxes for the governing of globalisation.* The CTT is a leading example of a potential innovative financing mechanism; taxing multinational corporations and offshore financial centres, taxing banking secrets, taxing the secondary trade in stocks and securities, taxing portfolio investment, foreign direct investment, e-commerce and luxury goods are all under-exploited. There are proposals for taxing weapons exports, use of outer space, use of the electro-magnetic spectrum and gambling profits.

## 2.3 Issues for civil society to consider

The Financing for Development process is a ‘big tent’. It brings under one roof the UN and the major multilateral economic bodies, including the WTO and the Bretton Woods Institutions. If we are concerned with how the whole system operates, then this is one place where CSOs can discuss these issues and examine the potential for systemic change. Further, as distinct from the UN General Assembly, the process has been, from early on, open to engagement of civil society organisations as well as the private sector. Accreditation to the 2002 International Conference on Financing for Development in Monterrey, Mexico, and follow-up events have been open, without the more formal UN ECOSOC NGO Consultative Status being a necessary prerequisite. Finally, the Financing for Development process has allowed for some procedural experimentation and collaboration with CSOs in substantive projects, including:

- Hearings where ideas and proposals can be presented and discussed at greater length;
- The UN General Assembly has held dialogues on Financing for Development in which civil society, as well as other stakeholders, have been engaged, albeit with greater limitations on time and participation;
- The UN ECOSOC holds annual meetings with the financial and trade institutions, to which civil society and the private sector have been invited;
- The Financing for Development Office based at the UN Department for Social and Economic Affairs in New York has collaborated with the Friedrich Ebert Foundation in organising a series of consultations on the issue of financing basic utilities for all, as well as other collaborations with business groups and the New Rules Coalition in Washington DC. The Financing for Development Office provides secretariat support for sustained follow-up within the UN system to the agreements and commitments reached at the International Conference on Financing for Development, as contained in the Monterrey Consensus, as well as financing for development-related aspects of the outcomes of major UN conferences and summits in the economic and social fields, including the development goals set out in the UN Millennium Declaration.

So this is a relatively open and transparent process, with the limitations of an intergovernmental body, but a significant space for the advancement of key ideas and assessments.

The central challenge for civil society is how to be effective in using the opportunities that the Financing for Development process affords in advancing the proposals for reform and innovation.

In establishing priorities and a rationale for support for innovative financing mechanisms, Mr Kapoor suggested that CSOs should consider the following questions:

- Is the initiative really innovative?
- Is it additional, or just helping a donor who is not making its 0.7% target look good?
- Is it really for the poor, or is it a slightly disguised corporate subsidy?
- Does it represent a significant quantity of new funding or is it really just for show?

The questions above can best be summarised in a comment made at the 2007 Commonwealth People’s Forum<sup>19</sup> in Kampala, Uganda, by a woman participant from Uganda:

*‘What will be different about any new funds from those already in existence, how will they be more responsive, more accessible, more meaningful for ordinary people?’*

18. The International Task Force on Illicit Financial Flows and Capital Flight is led by the Royal Ministry of Foreign Affairs, Norway and was mandated by the Leading Group on Solidarity Levies for Development.

19. The Commonwealth People’s Forum is the largest civil society gathering on the Commonwealth calendar. The Commonwealth People’s Forum is usually held in the week preceding the biennial Commonwealth Heads of Government Meeting. In 2007, the Forum took place in Kampala, Uganda in November 2007.

### 3. BREAKING THE TABOO

The 2002 Monterrey Conference was crucial in giving a push to the debate on financing for development. In its final statement, Heads of State and Governments '*resolved to address the challenges of financing for development around the world and particularly in developing countries*'. The goal was to eradicate poverty, achieve sustained economic growth and promote sustainable development. It was also acknowledged that achieving the internationally agreed development goals, including those contained in the Millennium Declaration, requires efforts from the international community to identify innovative sources of financing that are additional, predictable and sustainable.

In January 2008, UN Secretary-General Ban Ki-Moon commented at a press conference in Geneva that, 'we don't need new promises. We need fresh ideas and fresh approaches and the political will to follow through on the promises that Governments made eight years ago. We need to find new ways to honour our commitments, the commitments already made in the Millennium Declaration, the 2002 Monterrey Conference on Financing for Development, and the 2005 World Summit.'<sup>20</sup>

Civil society organisations have demonstrated a long-term commitment to the establishment of more equitable relationships between the rich and the poor in the context of a global economy. The Fourth Plenary Meeting of the Leading Group is therefore viewed by many as a crucial step towards engaging in a more productive dialogue with governments and their constituencies, including international stakeholders.

#### 3.1 Airline levies

Professor Luc Sintat Mpouma, Federation of Civil Society Organisations in Cameroon (FOSCAM), informed participants at the consultation that African civil society organisations had raised the idea of a levy on airline tickets as early as 1992, in part to seek autonomous funding sources for the Organisation of African Unity (today's African Union). The airline tax was proposed as a levy to raise funds for Africa's development. Professor Mpouma noted that the idea, initially developed by Professor

Maurice Tadadjeu (Cameroon), was further advanced in studies on 'How to finance African Regional Integration' conducted between 2003 and 2004. The study concluded that a tax on airline tickets could generate up to US\$450 million in 2006 and much more subsequently.<sup>21</sup>

Professor Mpouma noted that nothing much came of this initial proposal, until the Paris Conference in February 2006 convened by President Chirac to build momentum on innovative financing. At the conference, the Government of France detailed its intention to begin a levy graduated according to the class and destination of service on air tickets. Prime Minister Gordon Brown also confirmed that the UK would contribute to the trust fund created by the air ticket levy, and that France would contribute to the UK's innovative International Financing Facility for Immunisation. The French-initiated air ticket levy fund would be used to fight pandemics, and in particular to facilitate greater access to HIV and AIDS treatment by assuring the long-term production of anti-retroviral (ARV) drugs.

According to Professor Mpouma, Cameroonian civil society responded in an open letter to President Chirac stating that 'a growing number of African CSOs in the continent and in the diaspora pleaded since 1992 for the application of a similar tax with the aim to self-finance the Organisation of African Unity'. They asked whether the idea of an airline levy was inspired by this so-called

20. UN Secretary-General Ban Ki-Moon, Opening remarks at news conference, Geneva, 23 January 2008, [http://www.un.org/apps/news/infocus/speeches/search\\_full.asp?statID=176](http://www.un.org/apps/news/infocus/speeches/search_full.asp?statID=176) As specified in the document, this was UN General Assembly Resolution 60/1, 2005.

21. Maurice Tadadjeu is a Cameroonian Professor of Linguistics from the University of Southern California, Los Angeles, who has published extensively in Linguistics. He is also known as an active Pan-Africanist who created in 1988 the first ever national club of the Organisation

of African Unity. He has since published two books on African economic and social-political integration. Since May 1998, Professor Tadadjeu has been Chair of the Pan-African Federation of OAU Associations and Clubs with membership in over 30 African countries. More recently, on 27 May 2001, Professor Tadadjeu was elected as the first Delegate General of the African Civil Society Organisation (ACSO) (source : <http://www.unizh.ch/spw/afri/ling/afrosympo/>)

‘African tax’. CSOs at the Paris Conference recommended that efforts should be made to harmonise the French initiative and the African proposals to avoid double taxation on flights through and across Africa.

Discussions at the end of Professor Mpouma’s presentation focused on aspects of the airline levy as defined and understood by the Leading Group. France brought its ‘solidarity contribution’ into effect in July 2006. A law passed by French Parliament on 22 December 2005 sets out the following rate caps for all flights departing from the French territory: € in economy class and €10 in first and business class for domestic and intra-European flights (European Economic Area), and € and €10 on other flights, depending upon the travel class. According to the French Ministry of Foreign Affairs, these capped rates are expected to generate between €60 and €80 million annually.<sup>22</sup>

Since the initiation of the tax, a significant number of African countries have adopted the policy, even though they have not yet started to implement it. In addition to France, Chile, Republic of Korea, Guinea, Niger and Mauritius have implemented an airline levy. Participants at the consultation concluded during their discussions that the levy has not yet reached its full potential as many countries which host significant air traffic have yet to come on board. Participants recommended that an international CSO campaign involving sympathetic governments should be mobilised to encourage greater participation in the airline levy initiative (see paragraph 18 of Civil Society Statement to the Fourth Plenary of the Leading Group on Solidarity Levies to Fund Development). [page number to be inserted at design stage]

### 3.2 International drug purchase facility

In September 2006, the formation of a collaborative international drug purchase facility was announced by France, Brazil, Chile, Norway and the UK. It would be financed ‘with sustainable, predictable resources’, primarily the proceeds of the air ticket levy. The international drug purchase facility, or UNITAID as it is known, based at the World Health Organization in Geneva, began operations in November 2006 with the intention of:

- Generating long-term price reductions in medicines and diagnostics, as well as stabilising the market;
- Improving drug quality;

- Shortening the lead times of drug delivery;
- Leading on the development of patient-friendly drugs appropriate for use in countries.

UNITAID is governed by an Executive Board of 11 members, while a broader consultative forum brings together participating and beneficiary countries, NGOs, affected communities, foundations and the pharmaceutical industry.<sup>23</sup>

Given the modest funds generated, UNITAID has focused its efforts on paediatric treatments and achieving a 40% price reduction in antiretroviral drugs (ARVs). It has achieved a 23% price reduction in low-income countries and a 49% reduction in middle-income countries for second-line ARVs. It has contributed to malaria control by funding the scaling up of artemisinin-based combinations (ACTs) and to tuberculosis control by supporting development of child-appropriate treatment formulations.

#### 3.2.1 Today and tomorrow: reaching potential

The air ticket levy moved from conception to operation quite speedily, encouraging hope for the implementation of other pilot initiatives. It has gained the support of 19 African countries, as well as Spain and the Republic of Korea. It collaborates with the Clinton and Gates Foundations and is projected to raise US\$369.2 million in 2008.<sup>24</sup>

Given the continued high infection rates of AIDS, malaria and tuberculosis, the resources of UNITAID remain very limited. UNITAID and the air ticket levy which feeds it need to be expanded to meet their considerable potential. Civil society organisations can assist by lobbying energetically for the levy and for support of UNITAID in their countries.

### 3.3 The Kyoto Protocol and its innovative instruments

In his presentation, Birame Diouf of CONGAD noted that environmental challenges are among the most critical issues that humankind is facing. He argued that among other mechanisms, the carbon tax could become an innovative means of financing for development. Carbon taxes come in various shapes, but fundamentally they aim to reduce the production of greenhouse gases by taxing fuels, based on their carbon content.

The Kyoto Protocol includes innovative instruments that were created to enhance and monitor the reduction of carbon emissions. It resulted from the commitment of the most industrialised countries to reduce their emission of six major greenhouse gases by 5.2% on average between 2008 and 2012 in comparison to 1990. Developing countries were not obliged to reach the same quantified objective.

Among various instruments that have been suggested to meet the Kyoto commitments are an Emissions Trading Mechanism (ETM) and a Clean Development Mechanism (CDM), which allow developed countries to gain credit for projects with verifiable emission reductions in developing countries. Some jurisdictions, largely in developed countries, have imposed carbon taxes as a way of encouraging industry and consumers to meet the Kyoto targets.

The CDM, defined in Article 12 of the Protocol, allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol (Annex B Party) to implement an emission-reduction project in developing countries. Such projects can earn saleable certified emission reduction (CER) credits, each equivalent to 1 tonne of CO<sub>2</sub>, which can be counted towards meeting Kyoto targets.

According to the United Nations Framework Convention on Climate Change (UNFCCC), the mechanism is seen by many as a ‘trailblazer’. It is the first global environmental investment and credit scheme of its kind, providing a standardised emissions offset instrument, CERs.<sup>25</sup>

Mr Diouf noted that such a mechanism could provide additional funds to already existing sources available through bilateral and multilateral cooperation. It would be optimum if they could be available to African countries that are less responsible for pollution (3% of greenhouse gas emission), while being the most vulnerable to the negative effects of climate change.

*The carbon tax* is a mechanism aimed at combating global warming through taxation of consumption of fossil fuels. The tax would be reflected in an increase in their price depending on the capacity of each fuel to produce carbon dioxide.

Implementation would not be difficult, according to supporters of the tax, as many countries already impose taxes on fossil fuels. An additional carbon tax should encourage consumers to shift to lower or non-carbon-emitting sources of energy, such as hydro-power, solar energy and wind power.

Potentially, this tax could substantially reduce carbon dioxide emissions by discouraging the use of commercial carbon fuels and also creating incentives for a transition to sustainable energy sources. A global carbon tax, albeit hypothetical, would have serious potential to raise significant revenues. The UN Intergovernmental Panel on Climate Change estimates that if a US\$200 per ton of carbon tax was implemented, assuming a hypothetical worldwide 50% decrease of carbon emissions from present levels, US\$630 billion per year could be generated after a 15-year phase-in period. This policy is strongly supported by some environmental lobby groups to discourage excessive greenhouse gas emissions. Many consider that this mechanism is more effective and will impact more positively on climate change and global warming than the CDM.<sup>26</sup>

The fact that the carbon taxes do not offer alternative ways to compensate for excessive emissions is seen as an obstacle by its detractors.

#### 3.3.1 Proceedings from the Marrakesh Accords

The existence of a global market for carbon trading was more an abstract idea than a reality, as the Kyoto Protocol failed to specify details of how to translate it into operational terms. This was finally established in the Marrakesh Accords, after further negotiations took place in 2001.\*

Based on the Marrakesh agreements, an increasing number of emission units was recorded, thanks to the existence of recording systems and accounting procedures established with teams composed of experts. The teams ensure the application and effectiveness of countries’ taxation to discourage excessive emission. These developments have resulted in a significant growth in the global carbon market. In 2006, it nearly tripled to US\$30 billion from US\$11 billion in 2005.<sup>27</sup>

\* *The Marrakesh Accords is a set of agreements reached at the Conference of the Parties 7 meeting held in Marrakesh, Morocco in November 2001 on the rules of meeting the targets set out in the Kyoto Protocol.*

22. Véronique Aulagnon, ‘Pourquoi mettre en oeuvre une contribution de solidarité sur les billets d’avion?’, Expert Meeting of the Leading Group on Solidarity Levies, January 2008, Dakar. Further information available at <http://www.diplomatique.gouv.fr/en/IMG/pdf/argumentaires-eng.pdf>

23. <http://www.unitaid.eu/>

24. WHO, UNITAID Annual Report 2007, Geneva, p. 39. The African members are Benin, Burkina Faso, Cameroon, Central African Republic, Congo, Côte d’Ivoire, Gabon, Guinea, Liberia, Madagascar, Mali, Mauritius, Morocco, Namibia, Niger, São Tomé and Príncipe, Senegal, South Africa and Togo.

25. United Nations Framework Convention on Climate Change, <http://unfccc.int/>

26. Paul, J. and Wahlberg, K., [www.globalpolicy.org/soceccon/globaltax/general/globaltaxpaper.htm](http://www.globalpolicy.org/soceccon/globaltax/general/globaltaxpaper.htm)

27. State and Trends of Carbon Market in 2005, World Bank, Washington, DC, May 2005.

### 3.3.2 Challenges

Discussions at the end of Mr Diouf's presentation on the viability of a carbon tax as a means of innovative financing revealed some scepticism about the benefit of the CDM for Africa. Nigeria, Africa's biggest beneficiary of the project, accounted for 3%, compared with 32% for China, 20% for India and 14% for Brazil. The need to encourage a mechanism that is more suitable for the poor is crucial if the levy is to function. NGOs have strongly criticised the mechanism, considering they were not fully involved in its monitoring process. Participants further emphasised that it is unjust for the polluters, mostly in the North, to continue to fail to meet their emission targets, and use credits and markets to mask their failure.

Given the urgency of mitigating climate change and adapting to its impacts, participants in the consultation concluded that the need for the scale of revenue that could be gained from widely-applied carbon taxes is highly relevant, both in terms of assisting developing countries that are suffering the impacts and in modifying the behaviour of those producing the emissions. Participants felt that such funding should be channelled towards adaptation, clean and green development in developing countries, and compensation to encourage nature conservation.

### 3.4 Innovation in migrants' remittances

Maria Villanueva Serrano, Spanish Embassy, Dakar, noted that Spain has a particular interest in migrants and the issue of migrants' remittances, as it receives significant numbers of migrants each year. Since 2004, Spain has been ranked fifth in the index of countries of origin of migrants' remittances globally. The volume of transfers from Spain exceeds € billion, compared with € billion of Spanish ODA, thus representing 0.63% of the country's GDP and much more than the OECD countries' commitment to ODA by 2010.<sup>28</sup> Ms Serrano commented that Spain is willing to contribute its experience in maximising the benefit of transfers to assist developing countries – the countries of origin of many of the migrants reaching Spain.

The importance of migrants' remittances was brought to the fore in a 2006 World Bank study,<sup>29</sup> which highlighted the poverty rate decrease of 1.6%, as migrant transfers increased by up to 10% of Gross Domestic Product. Ms Serrano said that taking advantage of its particular situation, the Government of Spain took the initiative of facilitating access to credit to beneficiaries to fund

productive projects and, by the same means, build a partnership between the public and private sectors to fund community-based projects. In this regard, a memorandum of understanding was signed between the Spanish Government and the private sector, thus encouraging support from two major institutions, the Banco Santander, which agreed to charge a zero fee on migrant transfers, and the Banco Bilbao Vizcaya Argentaria, to provide funds for microfinance projects.

Ms Serrano explained that based on the agreements with the private sector, four experimental projects were launched in Senegal, Morocco, Colombia and Ecuador with a view to fuelling the development processes through migrant remittances. Expected outcomes included the development of an adequate methodology that is replicable and could eventually serve as a levy for financing development.

The process is as follows:

- A local community 'A' is identified in the destination country, as well as a bank or microfinance institution;
- Migrants originating from 'A' are identified in Spain and organised into an association;
- Connection is established between the migrants and the bank;
- The migrants agree to use the banking system for their transfers to their community 'A' and to open bank accounts;
- The bank increases its portfolio of clients and facilitates their transfers at low or no cost;
- In exchange for the profit, the bank funds migrants' projects in their countries of origin;
- In the destination country, the local bank supports the community's microfinance project, thanks to the mediation of the Spanish co-operation;
- The Spanish co-operation assists the community in the implementation and management of its projects (providing training, and setting up a monitoring and evaluation system).

### 3.4.1 Outcomes

Outcomes from the pilot experience were very positive. They included:

- Increased use of banking facilities by migrants for sending money to their countries of origin;
- More resources available for microfinance projects.

Through evidence-based research, it was concluded that:

- The potential of transfers for development purposes should be explored from both theoretical and practical perspectives;
- The public actors have an important role to play through assistance, while respecting the privacy of the remittances;
- It may be difficult to come up with a standardised method – there is a need for flexibility in order to adapt to the realities on the ground.

### 3.4.2 Challenges

In concluding, Ms Serrano observed that the value added by this innovative approach is generally acknowledged in development discourse. However, a few concerns remain. Firstly, these revenues are privately held, often devoted to family priorities and family survival, and state interference is not necessarily welcome. Secondly, the issue of predictability of the remittances is still a matter of concern, although past figures can help estimate the flow and make projections.

### 3.5 Digital solidarity

The Global Digital Solidarity Fund (DSF) proposes an innovative financing mechanism for development, specifically designed to reduce the digital divide. The Government of Senegal, hosting the Fourth Plenary Meeting of the Leading Group on Solidarity Levies to Fund Development, made the DSF a priority agenda item for the meeting of government officials in Dakar in April 2008. This was because the idea of a Digital Solidarity Fund was first launched by President Abdoulaye Wade of Senegal in his capacity as co-ordinator of the information and communication technologies component of the New Economic Partnership for African Development (NEPAD) during the World Summit on the Information Society in Geneva in December 2003. President Wade considered the new technologies one of NEPAD's eight priority sectors, which therefore made the issue of digital solidarity significant to Senegal.

Introducing this theme, Cissé Kane, representing the Secretariat of the DSF, based in Geneva, said that it was established on the basis of a voluntarily applied principle of contribution by a government or corporation at any level.

Participants were reminded that in the context of Doha, a surplus of at least US\$50 billion per year would be needed to finance development. To reach such a target it would be necessary to find alternative sources for Financing for Development. The purpose of the DSF is to move from the digital divide to digital solidarity in order to ensure more balanced relationships regarding access to knowledge and information. Mr Kane noted further that implementation of this principle is simple and effective, and has already been tested by a number of public bodies. This principle – called the Geneva principle – could, if applied, raise significant resources to fund ICT projects in developing and middle-income countries, especially at the grassroots level.<sup>10</sup>

The DSF was widely supported by the international community, with 135 states accepting it and calling for its immediate implementation globally.

Commenting on the issues raised above, Mbagnick Soce, from SENECLIC, informed participants that the Government of Senegal had set up a national agency, SENECLIC, with a mandate to translate into action the vision of President Wade regarding digital solidarity.

Mr Soce noted that SENECLIC has three objectives:

- The struggle against the digital divide and social exclusion;
- Improving the quality of teaching and learning;
- Safeguarding the environment and public health.

Several actions have been undertaken by the agency, including the setting up of the Centre for Disabled People at Work (CHAT);<sup>31</sup> the creation of multimedia centres in all primary schools across the country; and the creation of a recovery unit for electric and electronic wastes in Senegal. African civil society was invited to look more closely at the proposed new levy in order to raise specific funds to be allocated in other areas than health.

28. Ubuntu Newsletter, No. 14, Monterrey + 6 series, July 2007.

29. Brain Drain and Remittances, World Bank, Washington, DC, 2006.

30. 'ICTs for Economic Growth and Poverty Reduction', Africa Partnership Forum, April 2008, Tokyo, Japan.

31. Centre des Handicapés au Travail.

Cheikh Touré of CONGAD noted that in a context where ODA is decreasing, it was demonstrated that if debt relief was excluded, then ODA would have decreased by 1.8 % between 2005 and 2006.<sup>32</sup> Participants raised the issue of the ability of Africa to influence policies concerning the funding of its own development.

### 3.5.1 Civil society questions

The legitimate question of the integration of the DSF mechanism into national accounting and financial systems was raised. During the expert meeting in late January 2008, it was reported that Cotecna was commissioned by the DSF Secretariat to ensure the registration of all contracts signed by entities supporting the DSF. Ethical considerations and the cost of such a service were raised by civil society. Some participants considered that it was unethical to raise money for development and use it to pay private contracting firms. Other ways, such as integrating the monitoring system into national accounting procedures, should be found.

### 3.6 Currency Transaction Tax

Professor Josep Xercavins and Luis Miret representing UBUNTU: World Forum of Civil Society Networks based in Spain,<sup>34</sup> informed participants that the April 2008 High Level Meeting of the UN ECOSOC with the Bretton Woods Institutions, the WTO and UNCTAD began with a note from the UN Secretary-General which highlighted the potential for a tax on the immense daily flow of currency transactions:

There is renewed international interest in a possible currency transaction 'development levy' of 0.005%. This minuscule tax is not expected to materially affect market operations that have the potential to generate billions of dollars for development. OECD countries are already raising substantial amounts of revenue on various types of financial transactions with no apparent negative impact on financial markets. The international financial system already has clearing and settlement mechanisms that can manage the collection of this levy at low cost for any one country. The difference is that, by their nature, Currency

Transaction Tax involve more than one country, being levied on exchanging the currency of one country for another. Thus, these are taxes that are best implemented in a cooperative manner between countries.

Source: Paragraph 1.6 of the note of the Secretary-General of the United Nations, 'Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus, including new challenges and emerging issues', E/2008/7, 14 March 2008

More than halfway to the 2015 target for reaching the MDGs, many sectors were considered likely to fail. ODA levels were stagnant and insufficient. The Davos World Economic Forum concluded: '2008 is a critical year. If we do not begin to get back on track we will fail.' Professor Xercavins noted that to provide the necessary funding, initiatives which multiply additional resources are crucial. The Monterrey review process, concluding with the Doha Conference in November 2008, provides a unique opportunity to build support for an international levy on currency transactions such as a currency transaction tax or currency transaction development levy. Professor Xercavins proposed that a political agreement to implement such a levy be gained at Doha, and that revenues to be allocated on the basis solely and exclusively of development criteria and purposes be placed with the UNDP. Professor Xercavins felt that the time had come for a pilot country or group of countries to demonstrate the feasibility of a CTT, its low level of impact on markets and its benefit to development finance.

#### 3.6.1 The Issue

The issue of the CTT features on the agendas of both the Leading Group on Solidarity Levies meetings in Dakar, Senegal, in April 2008 and in Conakry, Guinea, in October 2008. Professor Xercavins concluded that Dakar must be a firm, unequivocal start in advancing the issue and must ensure that it is integral to the Doha debates and final result. US \$4 trillion per annum in 2007 to an estimated US\$800 trillion in 2007 or US\$3.2 trillion per day.<sup>35</sup> A levy of 0.005% has the potential to raise a minimum of US\$33 billion per annum.<sup>36</sup>

Technological advances have encouraged not only the growth of the market, but have also simplified the mechanisms by which a levy could be implemented. It is technically feasible and cheap to implement because of the

now centralised nature of currency exchanges. A coalition of willing countries could initiate it, even before Doha. Governments need to commit, and central banks must be directly involved.

A very low rate of tax will not lead to greater market distortions than are experienced in the normal course of events. A single-rate levy is essentially a fund-raising exercise. A number of CSOs have noted that the market is also subject to considerable speculative activity and that it can be subject to instability-causing fluctuations. This has led to the idea of a two-tier CTT, involving a higher anti-speculative rate, to be implemented after the low-rate currency transaction tax has proven itself.<sup>37</sup>

#### 3.6.2 Moving forward

Luis Miret noted that the CTT is a feasible mechanism, yielding a substantial return on a sector (foreign exchange transactions) which is currently untaxed. It can provide additional, sustainable and relatively predictable revenues for development.

If a pilot group of implementing countries is to develop, and a political agreement on the CTT is to be integrated as a result of the Doha Conference, the role of the Leading Group is key. Mr Miret suggested that establishing a working group of the Leading Group to press for implementation would be a useful first step. One of the tasks of this working group could be to ensure that the commitment to a CTT is made clear in the outcome of the Doha Conference.

Civil society organisations in the South as well as the North can develop a new coalition championing the issue and encouraging sympathetic governments. The civil society hearings at the UN and the Development Cooperation Forum initiated by the UN ECOSOC in June 2008 are occasions for developing a consensus. Finally, a clear commitment to the purpose of the levy is essential. It should be recognised as additional to ODA commitments. The revenues collected 'must go to funds that are administered multilaterally rather than serving only to boost bilateral aid, with all the constraints such aid entails'. Mr Miret suggested the UNDP as the initial vehicle for managing the funds.

### 3.7 Illicit flows and capital flight <sup>38</sup>

Sony Kapoor noted that the mobilisation and proper utilisation of domestic resources lies at the heart of

the process of sustainable development. He reminded participants that in development parlance 'financing for development' is about increasing resources and 'good governance' is about deploying them to meet development needs.

He said that illicit financial leakages from developing countries and resultant capital flight undermine both. These leakages are estimated to have reached alarming proportions of over US\$500 billion a year, far in excess of resource inflow.<sup>39</sup> The problem is not new, but the liberalisation of trade and finance, the growth of multinational corporations and cross-border banking, all facilitated by technological innovation, have increased the scale, scope and momentum of illicit flows and capital flight. Tackling illicit flows and capital flight to help maximise domestic resource retention for developing countries will help kick-start a new era in development and reduce corruption, crime and terrorism.

Illicit flows and capital flight largely escape balance of payment records. They seek secrecy. They escape all or most taxation, and are associated with public loss and private gain. They represent domestic wealth put permanently out of the reach of domestic authorities in the source countries.

Mr Kapoor added that flows are not part of a 'fair value' transaction and would not stand up to public scrutiny if all information about them was disclosed. In most, cases, they violate some law in their origin, movement or use.

The main mechanisms of capital flight include:

- **Improper invoicing of trade transactions:** undervaluing the value of exports; over-invoicing the value of imports into the country from which the cash is being expatriated; misreporting the quality or grade of traded products and services; misreporting of quantities; or creating fictitious transactions for which payment is made.
- **Transfer mispricing:** manipulating the prices of cross-border transactions between related affiliates of multinational corporations (about 60% of world trade takes place between subsidiaries of multinational corporations).
- **Mispriced financial transfers:** including loans from parent to subsidiary companies and inflated interest rates.
- **Other mechanisms:** including smuggling of cash

32. Ubuntu Newsletter, No. 14, Monterrey + 6 series, July 2007.

33. COTECNA is described as one of the world's leading trade inspection, trade security and trade certification companies, operating in nearly 100 countries.

34. The presentation was based on Ubuntu working document, 'The Doha Review Conference and the Proposal to Seek the Approval of an International Political Agreement on the Implementation of a Currency Transaction Tax', Ubuntu, Barcelona, Spain, April 2008.

35. For further details see Hillman, David, Kapoor, Sony and Spratt, Stephen, Taking the Next

Step: Implementing a Currency Transaction Development Levy. Stamp Out Poverty, London, 2007. [www.stampoutpoverty.org/?lid=10551](http://www.stampoutpoverty.org/?lid=10551) and Hillman, David, 'Additional Finance – The Currency Transaction Development Levy', Power Point Presentation, Leading Group Fourth Plenary Meeting, Dakar, Senegal, April 2008.

36. Schmidt, Rodney, The Currency Transaction Tax: Rate and Revenue Estimates, The North-South Institute, Ottawa, October, 2007, [www.nsi-ins.ca/english/pdf/CGTT%20revenue.pdf](http://www.nsi-ins.ca/english/pdf/CGTT%20revenue.pdf)

37. The international Catholic association of aid agencies, CIDSE, has taken this position.

38. This section draws on Kapoor, Sony, 'Briefing paper for the first meeting of the task force', International Task Force on Illicit Financial Flows and Capital Flight, Royal Ministry of Foreign Affairs, Norway, 12–13 December 2007; Kapoor, Sony, 'Tackling Development Challenges', Power point presentation, Civil Society Consultation on Innovative Development Financing Mechanisms, Dakar, Senegal, 23 April 2008.

39. See Baker, Raymond, Capitalism's Achilles Heel, John Wiley & Sons, Hoboken, New Jersey, 2005.

or high-value mobile assets (a yacht, for example) and bribes.

Mr Kapoor explained that not all money that leaves remains outside the source country, some comes back as foreign investment, often seeking special tax, land or labour concessions. Capital flows involve complex webs of perpetrators and facilitators. The major perpetrators are multilateral corporations and domestic businesses seeking to evade taxes or circumvent regulation, as well as wealthy elites, criminals and terrorists moving money and trying to evade the law.

But there are many facilitators, largely in the western world, who provide incentives. These include complicit business partners, armies of lawyers, accountants and company formation agents, financial centres that legislate for low taxes and bank secrecy and provide services including the incorporation of shell companies. In addition, bankers and financiers solicit and enable the flight of capital and manage the illicit wealth. Estimates are hard to make, but sufficient figures highlight that capital flight is by far the most serious threat to domestic resource mobilisation in developing countries. The global estimate of US\$539–US\$829 billion of annual capital flight from developing countries dwarfs the annual aid flow of US\$104 billion. It is not unusual for a developing country to lose as much as 5–10% of GDP annually to capital flight.<sup>40</sup>

### 3.7.1 What makes up this flow?

Mr Kapoor cited the following statistics to illustrate make-up of illicit flows. ‘The cross-border component of bribery and theft by government officials is the smallest, only about 3% of the global total. The criminal component constitutes about 30–35% of the total. And the commercial tax-evading component, driven primarily by falsified pricing in imports and exports, is by far the largest, at some 60–65% of the global total.’<sup>41</sup>

According to Mr Kapoor, South Africa, for example, is estimated to have been losing an average of 9.2% of GDP, or US\$13 billion in 2000, China 10.2% of GDP in 1999 and Chile 6.1% of GDP in 1998. The Zambian copper industry is a very specific case, where royalties and taxes represented between 1.5% and 0.7% of production value in 2002 and 2004, respectively.

Special attention should also be paid to the natural resource or minerals sector, because of its potential to generate huge revenues. Transparency in the amount of

royalty and taxes generated through the extractive sector can help improve accountability and citizens’ incentive to engage with the government and the multinational corporations to hold them to account. It can also help reduce capital flight. Mr Kapoor cited one case where nickel imported from Chile to the US in 2004 was priced at just over a hundredth of the world price. The Chilean treasury lost out on nearly US\$125 million of taxable income.

### 3.7.2 What can be done?

An international anti-corruption effort, the Publish What You Pay Coalition, has attempted to secure greater transparency not only in developing countries, but among Northern governments. The Extractive Industry Transparency Initiative (EITI), launched by former UK Prime Minister Tony Blair, seeks full publication and verification of company payments and government revenues from oil, gas and mining. The work of the Tax Justice Network is contributing to pressure for transparency and for effective capture of revenues. The formation of the International Task Force on Illicit Financial Flows and Capital Flight was a result of sustained civil society pressure and signals leadership from government.<sup>42</sup>

Mr Kapoor said transparency is the first, but not always the easiest, step. It is, however, essential to both cross-border and national regulation of financial institutions and multinational corporations. A new international accounting standard which asks for a jurisdictional breakdown of company accounts could help make transfer pricing more visible. He noted further that CSOs have a role to play in exposing the myths and reality of transfers from developing to developed countries, and leading pressure for ‘plugging the leaks’. CSOs are already active in campaigning for the return of assets stolen by corrupt politicians in past years.

To ensure greater domestic resource mobilisation and use for development, Mr Kapoor suggested that CSOs could mobilise support for the taxation of financial transactions, and for transparency and capital controls at national level. One key sector is the negotiation around foreign direct investment and tougher fiscal regimes with greater domestic redistributive effect.

40. Baker. See also Epstein, Gerald et al., *Capital Flight and Capital Controls in Developing Countries*, Northampton, MA, 2005.

41. Baker, Raymond W., ‘The Ugliest Chapter in Global Economic Affairs Since Slavery’, Speech, Thursday, 28 June 2007, [www.gfip.org](http://www.gfip.org)

42. See, for example, Christiansen, John et al., *Closing the Floodgates*, Royal Ministry of Foreign Affairs, Norway, 2007.

## 4. ESTABLISHING PRIORITIES FOR CIVIL SOCIETY AND ANALYSIS OF OPTIONS

In the preparation of its statement to the Leading Group, the civil society consultation and its editorial group wrestled with criteria for priority proposals.

The urgency of the current situation – international development crisis, stagnant aid flows, food and energy crises and the ongoing pace of climate change – demands a new scale of initiatives. Significant and sizeable new sources of finance for development which are *additional, predictable and sustainable* are required. The responsibility of and opportunity for the Leading Group is profound. The necessity of reversing the massive outflows of resources from developing countries, retaining them for domestic development objectives and recovering resources transferred illicitly or illegally is fundamental.

Thus, initiatives which offer sizeable and feasible mechanisms for additionality are the priority, beginning with work on illicit financial flows and capital flight. The CTT also offers a ready source of significant new funding. Carbon taxes, requiring more work on implementation, offer potentially much greater revenue. The airline levy can be reinforced to extend coverage and enlarge revenues. These priorities and other less important measures were embodied in a powerful civil society statement of the consultation to the Fourth Plenary Meeting of the Leading Group.

## 5. CIVIL SOCIETY STATEMENT ON INNOVATIVE DEVELOPMENT FINANCING MECHANISMS

Civil Society Statement on Innovative Development Financing Mechanisms to the Fourth Plenary Meeting of the Leading Group on Solidarity Levies to Fund Development

Dakar, Senegal, 22–23 April 2008

Presented to Ministers on 22 April 2008, Hotel Le Meridien, Dakar, Senegal

### Preamble

1. We, representatives of civil society organisations from across Africa, Canada and Europe met in Dakar, Senegal, from 19 to 20 April 2008 to share views and analyses on innovative development financing mechanisms. Diplomatic officials from two European Union countries, France and Spain, and from Canada, as well as representatives of the Secretariat of the Digital Solidarity Fund (Geneva), and representatives from the Commonwealth Foundation, CONGAD (Senegalese council of NGOs) and North-South Institute (Canada) participated in the event.
2. We reaffirm the importance of the March 2002 Monterrey Consensus and the 2008 Doha review process. We note that civil society at Monterrey found the Consensus too limited and recommended more ambitious commitments. We recognise, however, that the Monterrey Consensus and its implementation are essential in order to achieve even the modest targets of the Millennium Development Goals (MDGs). We acknowledge that the financial challenges that go with the objectives are urgent: ODA is not close to the 0.7% target for many donor countries and has been declining in the last two years; G7 donors have not fulfilled their Gleneagles commitments. We invite all donor governments to follow the model some countries have taken and to set clear quantitative targets and timelines to fulfil their commitments.
3. We note that not only are existing transfers inadequate, they are often characterised by inconsistency and inefficiency in solving the growing burden of poverty. Meanwhile the debt problems for many developing countries remain unresolved and capital flows from the South to the North, through both visible and illicit channels, continue to exceed ODA. The Development Cooperation Forum in New York in June 2008, and the Third High Level Forum on Aid Effectiveness in Accra in September 2008 must address these issues.
4. We recognise the 14 April 2008 call of the UN Secretary-General at the ECOSOC High Level Meeting in New York for action to address the food crisis affecting many peoples and the growing challenge of energy supplies. We note that at the same meeting, distinguished officials and diplomats presented evidence that progress toward the achievement of the MDGs could be reversed and that many people were falling back into poverty despite gains made in some sectors since 2000. Further, the UN will hold a meeting of Heads of Government in September 2008 to address what has been called the 'development emergency'.
5. To meet the challenges the world faces today we require significant and sizeable new sources of finance for development which are *additional, predictable and sustainable*. In addition, the further challenges of climate change require a redoubling of effort and creative initiatives for additional alternative resources collection in the process of financing for development, including the limitation and recapture of illicit money, tax evasion and other South–North capital flows, the Currency Transaction Tax, carbon tax and airline levies, and the Digital Solidarity Fund.
6. We affirm our commitment as civil society from the North and the South to work together and play an important role in any platform addressing global challenges and the MDGs in particular, including any initiative on the road to Doha, by participating at all stages, from policy design to action monitoring.

7. We believe that innovative development financing mechanisms should be combined with other financial and debt relief mechanisms, fair and differential trade agreements and more effective control, including full transparency, of international financial transactions. There is a crucial and urgent need to stop the visible and illicit transfers of resources from the South (estimated at US\$539–US\$839 billion),<sup>43</sup> and Africa in particular, toward the North and to secure recovery and better allocation of these funds to local development.
8. We recognise the importance and timeliness of the Plenary Meeting in Dakar, Senegal, of the Leading Group. We encourage it to be fully engaged with the Doha process and to continue its innovative work beyond Doha.

### Key issues

Achieving the Millennium Development Goals in general, through additional sustainable and predictable innovative development financing mechanisms, implies a serious consideration of a number of key issues and concerns.

### Capital flows

9. Capital flows from the South to the North are important and diverse, and should be redirected to development. We believe that reversing these flows goes hand in hand with the establishment of new mechanisms and levies.
10. We acknowledge the timeliness and relevance of the International Task Force on Illicit Financial Flows and Capital Flight. We endorse its work and look forward to recommendations and action. In particular, we look to early initiatives to secure full transparency and to end illicit capital transfers.

### Currency Transaction Tax

11. Considering that it is crucial to achieve the MDGs and that the Doha Stage in the Monterrey Consensus Review Process must be the place to identify necessary new Financing for Development mechanisms, we urge that priority be given by the Leading Group to the Currency Transaction Tax, as well as to other financial transaction taxes during its deliberations and in outcomes.

12. We recommend the timely formation of an International Task Force on the elaboration and implementation of a CTT and urge member governments participating in the Fourth Plenary Meeting to indicate their willingness to serve.
13. We recommend that the Leading Group works towards an international political agreement on the implementation of a CTT as part of the outcome of the Doha Review Conference. We further recommend that resources from this mechanism be placed in a multilateral fund that could be managed by the UNDP and invested in the achievement of the MDGs.

### Carbon Tax

14. It is unjust that industrial countries use market credits and continue to fail to meet their emission reduction commitments. Speculation in carbon credits is also unjust.
15. Given the potential revenue, it is urgent that a carbon tax should be developed and applied to all those responsible for carbon dioxide emissions, particularly to all transnational corporations involved in this type of pollution. Such a tax could be effective in modifying behaviour and providing resources for mitigation and adaptation.
16. Funds collected with this mechanism would be allocated to: (a) adaptation ; (b) clean and green development in the South; and (c) compensation for nature conservation.
17. In particular, we recognise the urgency of the implementation of an Action Plan for Africa as foreseen in the recommendations of the World Summit on Sustainable Development follow-up conference (Johannesburg), the prioritisation of the fight against desertification and the Convention on Desertification, as well as the importance of civil society access to the Global Environmental Facility to assist with the implementation of these priorities.

### Airline Levies

18. We recognise that the airline levy and UNITAID, while positive and concrete initiatives, have not yet reached their full potential. We therefore encourage the Leading Group to actively seek further commitments to implement the airline levy, particularly from countries with high levels of traffic, and as civil society we confirm our commitment to work with the Leading Group in doing so.

### Digital Solidarity Fund

19. As civil society organisations we recognise the urgency of carrying forward more fully research and information on the development impacts of the 'information society', including the facilitation of the transfer of technology.
20. We endorse the idea of widening the scope and the calculation basis of the 1 % collection within the Digital Solidarity Fund mechanism. We urge that civil society be integrally involved in the working group proposed to finalise the Convention and in the preparation and execution of the Lyon Conference. We urge that the Convention integrates the work of the bodies charged with follow-up to the World Summit on the Information Society (WSIS), namely the Commission on Science and Technology for Development of the ECOSOC, UNESCO and the International Telecommunications Union.
21. We support this innovative development financing mechanism being managed efficiently and in a transparent way, with a participative spirit involving all stakeholders, including civil society at all stages.

### Overall

22. With regard to the funds raised through any and all of these innovative mechanisms, we urge that:
  - a. They be allocated to nationally defined development priorities;
  - b. They be designed for efficient and democratic allocation, and that overhead charges be not more than 6 %;
  - c. There be national implementation and monitoring committees, within which all stakeholders (the government, civil society and the private sector) would be represented.

### Conclusion

23. As partners in development, civil society organisations clearly recognise the need for **additional** financing for development, but we also emphasise that the **quality** of that funding – the means by which it is made accessible, allocated, delivered, monitored and evaluated, and how it is sustained – is equally important. We believe that the Leading Group and the work on innovative financing as a whole offers the opportunity to provide both additionality and quality financing. Thus we emphasise the importance of the work of the Leading Group, and its opportunity to reverse current negative trends in financing for development and establish new and effective means for development
24. We look forward to a productive and innovative Fourth Plenary Meeting, its debates and its outcomes. Further, we urge the Leading Group to take full advantage of interest demonstrated by the Secretary-General of the UN and the 14 April 2008 High Level Meeting of the ECOSOC on innovative financing, and engage fully with its recommendations and give its political support in the Doha preparatory process.
25. On the part of civil society we look forward to continued collaboration with the Leading Group. To this end we would urge:
  - That the relationship of the Leading Group with civil society be further supported, and that regular updates from the Secretariat be provided;
  - That civil society (particularly from Africa) be engaged in the preparation and implementation of the Fifth Plenary Meeting in Conakry, Guinea in October 2008.

43. Sony Kapoor, Briefing Paper for the First Meeting of the Task Force, December, 2007, International Task Force on Illicit Financial Flows and Capital Flight. Royal Ministry of Foreign Affairs, Norway

43. Sony Kapoor, Briefing Paper for the First Meeting of the Task Force, December, 2007, International Task Force on Illicit Financial Flows and Capital Flight. Royal Ministry of Foreign Affairs, Norway

## 6. FOLLOW-UP

### 6.1 Fourth Plenary Meeting of the Leading Group on Solidarity Levies to Fund Development, Dakar, 22–23 April 2008

Several representatives of the consultation, led by Vore Gana Seck, President of CONGAD, attended the Fourth Plenary Meeting of the Leading Group on Solidarity Levies.<sup>44</sup> How might the encounter be evaluated?

- The Civil Society Statement was presented by Ms Vore Seck, President, CONGAD, at the opening session of the Leading Group. The statement provoked positive feed-back from the Foreign Minister of Senegal and a number of others.
- The Chair responded positively to the request from civil society for seats at the official table and microphones, and a number of civil society participants addressed various agenda items during the full meeting. One civil society participant became a member of a working group of diplomats tasked with clarifying the meaning and definition of innovative financing.
- CSOs were concerned that the Leading Group should take the opportunity opened up by the UN Secretary-General's statement to the UN ECOSOC High Level Meeting, and that they should organise to push innovative financing in the preparations for the Doha Conference. The Leading Group repeatedly stressed the need to contribute to the Doha process, and stated that the Fifth Plenary Meeting, to be held in Conakry, Guinea, in October, would focus on this issue.
- The CSOs proposed that the Leading Group take on the UN Secretary-General's specific wording regarding a 0.005% Currency Transaction Tax, and press for it to be included in the final Doha agreement. In this case, the CSO point was strongly put, but no clear commitment was made.
- Strong support was offered for the International Task Force on Illicit Financial Flows and Capital Flight.

There was considerable interest around the table in this child of the Leading Group, with some suggestions that its work be continued by a reformed UN Committee on Tax. Its third and final meeting will take place in Conakry, Guinea in October 2008.

- The CSOs proposed an intergovernmental working group on the CTT, on the model of the International Task Force. The Chair suggested that Austria chair such a group, but they were not present to accept or reject the suggestion. Brazil indicated an intention to hold an informal international meeting to consider this and other innovations which might bring fresh energy to the initiative against hunger and poverty.
- Civil society representatives were positive about the airline levy and UNITAID, but felt neither had fully reached their potential. They encouraged further expansion of both, particularly involving countries with high airline traffic who were not yet members. Special Advisor M. Douste-Blazy noted that he had the commitment of the three biggest airline reservation web wholesalers to include a voluntary check-off for 'solidarity', to be launched in 2009. CSO representatives were not opposed to this, but preferred a tax.

The Dakar Leading Group Plenary Meeting had positive results from a civil society point of view. There is always the danger that the reliance on individual country initiatives for pilot projects will result in an unrelated and confusing buffet of initiatives lacking real critical assessment or clear priorities. Thus, the role of civil society in pressing certain priorities did stimulate response and should be sustained.

44. CONGAD: Vore Gana Seck, Boubacar Seck, Mariame Dem, Cheikh Tidiane Touré, NSI: John W. Foster; SANGOCO: Molosina Jacob Molapisi; CHESO: Beatrice Samson Bachwenkizi; Africa Development Interchange Network: Martin Tsounkeu; UBUNTU: Luis Miret, Josep Xercavins; Fonds Mondial de Solidarite Numerique: Alain Clerc, Cisse Kane.

## 6.2 The Road to Doha

The overall priority for civil society is the preparation of a successful Doha Financing for Development Review Conference (30 November–2 December 2008) with clear commitments on innovative financing, which needs strong advocacy in national and international contexts.

The Development Cooperation Forum of the ECOSOC, commencing on 30 June 2008, is an obvious opportunity to advance innovative financing proposals. So is the High Level Forum on Aid Effectiveness in Accra, Ghana, 2–4 September 2008, initiated by the Organisation for Economic Cooperation and Development (OECD).

The UN Secretary-General will convene a high-level meeting on the MDGs in September 2008 to find ways to reinforce the partnership between developed and developing countries. In 2007, a similar forum was used to galvanise world action on climate change. Effective action will not be possible without significantly increased resources.

With civil society organisations in a number of West African countries participating in the Dakar events, there is potential for organising a strong presence at the Fifth Plenary Meeting of the Leading Group (14–17 October 2008 in Conakry, Guinea). CSO presence at the next meeting of the International Task Force in the preceding days is also important, as well as continued support for its work.

## 7. CONCLUSION

There was a good deal of debate and discussion at the civil society consultation which provided a sense of the preoccupations and the spirit of those participating. Some of the comments are highlighted below.

- A number of civil society organisations – in Cameroon, Sierra Leone and Niger – and Social Watch in Benin have undertaken social observatories, evaluating whether and how anti-poverty and other developmental initiatives are being conducted. They have examined how ODA and budget support are used, how Highly Indebted Poor Country (HIPC) funds have been employed and how Poverty Reduction Strategy Papers (PRSPs) are implemented, among other things. Similarly, the People's Budget Coalition (South Africa) monitors the use of funds and sets people's priorities for them. These sorts of initiatives need to be multiplied in other countries.
- There is a tremendous need to monitor the distribution and use of funds at the local level, where people live. In Mozambique, civil society has worked carefully on tracking the use of public funds. In Tanzania, where 40% of national budget comes from ODA, a large proportion is spent on donor priorities which may not be those of Tanzania. CSOs in Tanzania have attempted to engage the government in roundtables regarding budget priorities.
- In South Africa, the fight against poverty was integral to the fight against apartheid. The MDGs are minimal demands and must not replace national targets and goals. South Africa takes issue with the US\$1 or US\$2 a day measure of poverty. The Government of South Africa has developed 72 of its own indicators, covering various dimensions of poverty, which are objective and evidence-based and linked to constitutional objectives.

The civil society consultation itself was positively evaluated in that it brought together civil society representatives from English, French and Portuguese-speaking African countries. The challenge now is how to keep up this momentum and build on this opportunity, now that a better idea exists among CSOs of what others are doing. In this regard, it is important to build a common language beyond linguistic divides.

Every country that was represented highlighted the key development challenges faced, as well as sharing the general concern with current crises in food accessibility and energy. The need for decent work, full access to education, food sovereignty, effective development of human resources and investment at home were all cited as priority concerns.

The consultation brought together a group of significant national civil society networks with evident commitment to development, equity and change. It identified not only a number of common priorities, but opportunities to advance them. The key engagement is at the national level in each country, but hopes were cited for increased engagement of non-participating countries and networks, and engagement with the African Union and other regional bodies. This involvement began just after the consultation with the presentation of its conclusions to the Leading Group. It continues as the participants take their conclusions to other stops on the 'Road to Doha'.

## Annex 1

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## Annex 2

### From Dakar to Doha and Beyond

Brief background paper in two chapters for the Regional Workshop on Innovative Sources for Financing Development

Dakar, Senegal, 19-20 April 2008

**John W. Foster**

#### **I: Innovative financing and the Leading Group: moving the agenda forward**

##### **Introduction**

This section focuses on one way in which civil society organisations and some governments are attempting to advance innovation. The first chapter presents some reflections on the Leading Group on Solidarity Levies and our roles and responsibilities as civil society organisations (CSOs) and looks specifically at one initiative, the Currency Transaction Tax (CTT). The second chapter looks at the bigger picture as we move forward on financing for development on the road to Doha.

##### **Paris and the Leading Group**

At the Paris Conference in 2006, the prospect of additional, sustainable and predictable revenues – beyond the fluctuations of donor ODA – for development and for key urgent human needs like combating disease envisaged. It is a vision we should not let go. The Conference set in motion the Leading Group on Solidarity Levies for Development.

##### **The Leading Group or Groupe Pilote**

The Leading Group which emerged from the Paris Conference 22 months ago has had leadership from France, Brazil, Norway, the Republic of Korea and now Senegal. Having met in September in Seoul, it plans to meet in Dakar in April 2008. The Senegalese NGO consortium, CONGAD, is preparing for a meeting of NGOs.

The Paris Conference broke open the global discussion of innovative financing, particularly the possibility of new taxes or levies, a subject which had been frozen, largely due to US power, inside the UN and beyond. With the Paris event, it became possible to discuss raising the issue of new levies. As President Chirac stated, while globalisation has been profitable for some, the

profits have gone untaxed and unavailable to many. Further, as he indicated with specific reference to the need to sustain consistent treatment for the many people affected by HIV and AIDS, we must find means of financing which are additional, sustainable and predictable.

With regard to the Leading Group, civil society organisations have invested energy and intellectual effort in this process and should invest some effort in increasing its value.

The fundamental issue at the moment is its survival as a viable process for advancing from concept to pilot and thus to the implementation of a few key ideas that would yield significant resources on a sustainable basis for use in development and environmental crises. This survival requires civil society support, but depends on forward movement by governments on path-breaking innovative pilots.

There are a several elements that have given meaning and meat to the process thus far:

- A technical group of country-appointed experts, not diplomats, who advanced a list of possibilities to explore or develop.
- A relatively open and collaborative process in which CSOs have been participants, resource people and sources of technical research and papers.
- A setting in which ministry officials, often from foreign and development, and even health ministries, as well as or instead of the usual finance ministries, could engage with CSOs in discussing both short-term and longer-term proposals of substance and merit.
- A fairly flexible agenda, including such elements as tax evasion/tax havens, the Currency Transaction Tax, special drawing rights, carbon taxes, advance market commitments (for vaccines), the International Financing Facility (IFF) and the International Finance Facility for Immunisation (IFFIm), the Digital Solidarity Initiative, remittances, etc.

- An element of accountability, that is, a place where reporting on the progress of certain pilot ideas can and does, to some extent, occur.
- Up to now, at least some resources for CSO participation have been provided by host governments, and in the case of the Oslo meeting, the Norwegian Government hosted a preliminary seminar and sponsored two major CSO-authored papers, on the CTT, and on tax havens and South-North flows.

There are some weaknesses, of course, chief of which from the point of view of many CSOs is the reluctance of countries other than France (in the case of the airline levy and UNITAID) to commit to pilot leadership. Norway has taken leadership in forming the working group on tax evasion, havens, etc. The UK has led on the IFFIm, but some would question whether that is really additionality. Chile, Korea and some others have joined the airline levy, but with clear limitations.

A further weakness is the use of the mechanism to advance ideas which are viewed by many as opportunistic or questionable from the point of view of real additionality and development assistance, notably the continued fixation with remittances and the Advanced Market Commitment initiative on vaccines.

There are possibilities of the Leading Group which have as yet been inadequately explored, by CSOs as well as government. For example, the airline levy was brought into being remarkably quickly, and with concrete and measurable results. However, this important pilot is still limited to a few countries and raises much less money than it could. Further, the hopes of a number of NGOs for a political leadership role for UNITAID have not been fully followed up. The incipient alliance of AIDS service organisations and financially-specialised CSOs has not flowered as fully as it might have.

### Looking forward, what needs to be done?

1. We need to make sure that the Dakar, Senegal meeting is a success.
2. If the meeting is not simply to reproduce conversations already rehearsed in Brasília, Oslo and Seoul, there needs to be new substance both in a sense of deeper exploration of a few agenda items and the addition of some new material.

3. The work of the Technical Group, which met earlier in 2008, can be one of the elements for consideration, as can the priority interest of the host government in the Digital Solidarity Initiative.
4. The Dakar meeting will be a success if it has an impact on the preparations for Doha, on the priority given to innovative financing in general, and on stimulating leadership by individual countries or groups of countries on further pilots like the CTT.

If the Leading Group is to continue to demonstrate its potential for pilots, we need immediate focused action to engage country leadership in one or more areas. The most urgent is to operationalise the Oslo commitment to establishing a working group on implementation of a CTT. We almost succeeded in Oslo in getting Norway to take the chair, but the Norwegian finance ministry did not agree. There has been some speculation that Italy could do so. European groups may be able to achieve this. An important alternative is Brazil, not least because it was a co-parent of the original initiative. It is a leading 'South' country, and it has an operating domestic tax on financial transactions. Initiatives are also being taken by the all-party group in the Japanese Parliament.

One example for action: the Currency Transaction Tax, moving to implementation

The debate on global taxation or global levies has moved significantly, particularly in the last two years, beyond feasibility to revenue estimates, implementation and governance.

A principal researcher at the North-South Institute, Rodney Schmidt, has dedicated himself to the issue of defensible revenue estimates and assessment of market impact of a CTT, looking at the four most important tradeable currencies in play. His most recent paper, 'Rate and Revenue Estimates', was introduced in October 2007 at the Financing for Development Hearings at the UN General Assembly in New York.

To mention several highlights:

- The paper is based on very conservative assumptions.
- The paper assumes contemporary transaction management by central banks, utilising the SWIFT central messaging cum netting system.
- The estimates are based on foreign exchange markets

as they were in April 2007, the month of the latest Bank for International Settlements survey of foreign exchange activity.

- The CTT rate assumed is 0.5 basis points.
- The impact on foreign exchange transaction volumes could be a fall of 14 per cent, but given the continuing expansion of foreign exchange markets, if a CTT had been applied since 2004, market size in 2007 would still be the largest ever for all the major currencies.
- Thus, Schmidt concludes that 'it is unlikely that a CTT of 0.5 basis points would disrupt either exchange rate behavior or market liquidity'.
- A co-ordinated CTT of 0.5 basis points on all major currencies – the US dollar, the pound, the euro and the yen – would yield an annual revenue of US\$33.41 billion. A CTT levied only on the US dollar against all other currencies would yield almost as much – US\$28.38 billion.

More recently, a further detailed study was produced by an Austrian team of what they term, more broadly, a General Financial Transaction Tax.<sup>2</sup> The team examines revenue estimates, particularly from an EU-centred tax, and argues that revenues, although raised centrally, could be used for a variety of EU or 'Supranational' purposes.

### The CTT in context

How does this potential revenue stack up against alternative sources?

- The IFF and IFFIm are not really additional sources that raise new revenues, they simply bring forward normal flows.
- An issue of Special Drawing rights by the IMF for development might only happen once.
- The airline levy raises about US\$200 million per annum and could grow extensively if other countries join, but it is still a quite modest source of revenue.
- A carbon tax could raise between US\$130 billion and 750 billion per annum, and thus has the greatest potential, but it is intended to reduce the emissions on which it is based.

As Schmidt concludes in the paper on the CTT: 'We know how to implement it. ... we also know that it can raise at least US\$33 billion of independent, global and stable revenue each year. This is a conservative estimate ...'

Thinking about success: issues of governance

At the November, 2007 Commonwealth People's Forum in Kampala, Uganda, about 100 people, mostly Ugandans, discussed Financing for Development and innovative sources of finance in a very lively exchange.

In my sub-group discussing global levies, like the air ticket tax, participants were quite clear: 'More funds are needed, but if they come in the same ways, via the same channels as before, then they may not be useful'. This is a fundamental challenge against which any of the innovative proposals should be measured.

Let us suppose we are successful in achieving the implementation of a CTT, a tax which would yield many multiples of resources compared with the airline levy.

While linking it to particular objectives – health, fighting climate change, funding UN-led development efforts – might be useful in winning acceptance and support, such a tax would perhaps yield sufficient resources to serve several purposes, several Millennium Development Goals (MDGs) or several agencies.

A very useful study, The Political Economy of Additional Development Finance, was prepared by John Langmore and Anthony Clunies-Ross, published by UNU-WIDER in September 2006. It starts from the assumption of a tax yielding large revenue flow, and discusses the issue of how you would guarantee acceptance of the tax through utilising institutions that already have acceptance.

In simple terms its approach includes:

- Using a UN body, it suggests the General Assembly, to set the framework for allocation, partnerships, evaluation, etc.
- Using the World Bank as the administrative institution.

The authors argue that to be plausible, any scheme must have a reasonable prospect of being generally acceptable, especially to the governments of those countries

that would see themselves on balance as donors. It must combine trust, legitimacy and a reasonable prospect of efficiency.

Allocation decisions would have to be made by a body which had these qualities, was transparent and was viewed as efficient.

Some body would have to make decisions about its purpose and to what ends allocations would be devoted? Would they be used to support existing multilateral development institutions?

What would be excluded? These decisions might initially be part of the bargaining to create the fund.

How would they be delivered? This was essentially the focus of the Uganda workshop participants, a number of whom were community activists, and small anti-poverty and self-help NGOs. How would it be any different from current channels which leave them feeling marginalised and left out?

What Langmore and Clunies-Ross foresaw was essentially the following:

- A constitutional 'bargain', which would have to involve big players like the G8 and/or G20
- A division of functions: the General Assembly would decide the broad policy questions, purposes and limits, and review/monitoring functions.
- It would do so on the advice of a technical drafting group composed of experts from the UN secretariat, the World Bank and the International Monetary Fund.
- The World Bank would use IDA or a modified IDA or a new arm to allocate funds. This, they argue, is better than a leap in the dark.
- Auditing would happen through the Bank's own process.
- Monitoring and evaluation would be in the hands of a committee appointed by the UN General Assembly.

Is this approach one which would gain the support of civil society organisations who have developed a critical and sometimes sceptical view of World Bank initiatives? Would the Langmore/Clunies-Ross proposal have the

elements necessary to satisfy the Ugandan civil society representatives mentioned above?

How should civil society advance this debate? Who would we want to engage? What further work is necessary?

Other initiatives: harnessing digital solidarity  
Of the various items on the innovative financing menu, one of the more recent will be of special interest at the Dakar Plenary Meeting, the initiative on digital solidarity. The idea was put forward by the Senegalese President on behalf of the New Economic Partnership for African Development (NEPAD) in the context of the World Summit on the Information Society held in Geneva 2003.

The Geneva Principle which emerged called on all public and private entities 'in all invitations to tender related to information and communication technologies, to obtain the agreement of the successful tenderer to pay the Global Digital Solidarity Fund a contribution equal to one per cent (1%) of the contract value (digital solidarity contribution)'.

Seeking to build on commitments of governments to 'harness the potential of information and communication technologies to promote development and rise to the new challenges posed by the information society', a Global Digital Solidarity Fund has been established for voluntary contributions to bridge the digital divide.

In addition to forwarding the Fund, interested parties are advancing the idea of an 'International Convention on the Financing of Digital Solidarity', of which a draft version is in circulation prior to the Dakar Plenary.

### Conclusion

If we look back to Geneva 2000, through the 'ice age' when global taxation was a forbidden theme, to the Paris Conference and Chirac's call to tax the profits of globalisation, and then to the implementation of the airline levy and UNITAID, we can see that a tiny seek – approval of the right to study the issue – has grown in almost unexpected ways. Having achieved the Leading Group, we should not allow it to fade or become just a talk shop.

Just as civil society made the Tobin Tax one of the chief lobbying issues at Geneva 2000, and then collaborated in advancing the airline levy and UNITAID, we need to use the Group and Financing for Development to move other pilots into operation, most practically the CTT.

As we look forward to the next Plenary of the Leading Group, hosted by the Guinean Presidency later this year, and to the Doha Conference, is it possible that one or more productive pilots will be moving to reality, and that the Doha Conference will build worldwide support for a leap forward?

Philippe Douste-Blazy to become UN Special Advisor on Innovative Financing for Development

With official development assistance (ODA) still insufficient to achieve global anti-poverty targets by 2015, Secretary-General Ban Ki-Moon has appointed France's former foreign minister, Philippe Douste-Blazy, to develop and promote new sources of funding, citing the urgent need to fill this critical gap.

M. Douste-Blazy, appointed as Mr Ban's Special Adviser on Innovative Financing for Development, currently serves as Chairman of the Executive Board of UNITAID, the international drug purchase facility hosted by the UN World Health Organization (WHO).

A doctor by profession, he has held ministerial posts in the French Government in health, culture and foreign affairs. During his tenure as France's foreign minister, M. Douste-Blazy strongly advocated for the creation of UNITAID and the implementation in France of a solidarity levy on airline tickets aimed at supporting the achievement of the Millennium Development Goals.

Among his tasks in his new post will be to promote UNITAID and other sources of innovative financing for the achievement of the MDGs and to ensure they are coordinated with the global development agenda.

'We are halfway in the timetable with the deadline in 2015, but we are not halfway in terms of results', M. Douste-Blazy told reporters today in New York. 'The truth is we are late.'

## II: The larger picture and process: the road to Doha: systemic issues: the role and potential of the UN

### Introduction

When thinking about Financing for Development, it may be useful to keep in mind some of the particular characteristics of the process:

- The Financing for Development process is a 'big tent'. It brings under one umbrella the UN and the major multilateral economic bodies like the World Trade Organization and the Bretton Woods Institutions.
- If one is concerned with how the whole system operates, then this is one place where you can discuss those issues and examine the potential for systemic change.
- Further, as distinct from the UN General Assembly, the process has been, from early on, open to the engagement of civil society organisations and the private sector. Accreditation to Monterrey and successive events has been open, without the more formal UN Economic and Social Council (ECOSOC) NGO consultative status being a necessary prerequisite.
- Finally, the Financing for Development process has been a zone of some procedural experimentation and collaboration with CSOs in substantive projects.
  - o Hearings where ideas and proposals can be presented at greater than incidental length have been initiated, and will be held again on 18 June 2008 in New York.
  - o The General Assembly has held dialogues on Financing for Development in which civil society as well as other stakeholders are engaged, albeit with greater limitations on time and participation.
  - o The ECOSOC holds annual meetings with the financial and trade institutions, to which, once again, civil society and the private sector are invited. The most recent of these meetings was held on 14 April 2008, examining five themes, including new initiatives on financing for development.
  - o The Financing for Development office has collaborated with the Friedrich Ebert Foundation (FES) in organising a series of consultations on the issue of financing basic utilities for all, as well as other collaborations with business groups and the New Rules coalition in Washington.

So this is a relatively open and transparent process, with the limitations of an inter-governmental body, but a significant space for the advancement of key ideas and assessments.

### The 'big tent' and how to use it

There is one potential use of the 'big tent' which has not yet to my knowledge really been explored, and that is the integration of the UN Human Rights Centre and human rights frameworks, and the involvement of key bodies concerned with environmental change.

The Monterrey and post-Monterrey agenda includes systemic issues, including issues of the purpose and governance of the Fund and the Bank.

Perhaps the most important starting place is found in the Secretary-General's statement that: 'Strong and effective governance in all global institutions must be built on the basis of the accountability of their management and governing boards. Global economic decision-making should, as much as possible, be consolidated in international institutions of a universal nature – those that are part of the United Nations system – rather than in limited ad hoc groups.' (GS.115)

With this, one would want to affirm conclusion 5 of the recent FES retreat: 'broader international space is required for international financial policy discussion among all relevant stakeholders, including from all interested governments of the North and the South, the private sector and civil society'.

One of the reasons for pressing forward with this suggestion is the need to strengthen transparency and participation in global economic governance, meeting emerging problems and encouraging internationally agreed standards, and extend regulatory oversight. (GS 121-123)

One of the achievements of Financing for Development was to draw the major institutions into the UN tent, with greater or lesser reluctance and/or commitment. I believe efforts should be concentrated on strengthening its effectiveness, ensuring participation not only of development and finance ministers, but of the key directors and policy-makers from the related multilateral institutions.

A related, new and potentially useful 'space' is the Development Cooperation Forum, related to the ECO-SOC. This body, initiated briefly in Geneva in July 2007, and having a full session in July 2008, brings together donors, recipients and civil society. It could be a 'universal' alternative to the Paris OECD processes in addressing strengthened aid effectiveness (FES).

There are additional items which emerge from the Secretary-General's report and the FES retreat in September:

- There has been no continuing political body in which the agenda of Financing for Development could be advanced, apart from the bi-annual High Level Sessions of the UN General Assembly. Thus the creation of a UN Committee on Financing for Development could serve as a more dynamic and permanent forum to address issues related to the follow-up of the Doha Conference and could serve as a continuing interface, at the intergovernmental level, with relevant bodies of the Bretton Woods institutions, the WTO and other stakeholders. Another variant of this proposal is an ongoing UN Forum on Financing for Development, inviting the active engagement of finance and development ministries, key multilateral institutions and non-governmental stakeholders (GS, FES, EH).
- The annual meetings of the ECOSOC with international financial and trade institutions, could be made more substantive, and CSOs who have participated would, I am sure, have ideas on how to strengthen them. So an evaluation of the meetings with recommendations for their enhancement would be in order. The North-South Institute, in co-operation with the Global Policy Forum Europe and others has suggested just such a study.
- The existing UN Committee of Experts on International Cooperation on Tax Matters is an important alternative to OECD discussions on the subject, and has worked on a model double taxation convention. It could be upgraded to become an intergovernmental body, where it can reach stronger international agreements, and where it could undertake initiatives in combating tax evasion, taxation of services and natural resource use, etc. Brazil has recently called for a full ongoing UN agency.

- The recent FES retreat report includes a sentence which could be pregnant with possibility, and invites more work by civil society groups as well as academic and government experts: 'systemic thought needs to be given – as in the international process leading to the Doha Review Conference – to extending the range of financial sector activities that require official oversight, for instance: rating agencies, hedge funds, private-equity funds, asset-backed securities'.(7)

The Financing for Development process is a big tent and has an extensive agenda. There are defensible rationales for keeping it that way. However to really ensure that it is a forum for advancement and not just for talk, it needs to be fed and goaded.

Therefore, the organisation of what we might call 'ginger groups', like the Leading Group on Solidarity Levies, groups of the willing, perhaps, who will advance applied research, develop pilot initiatives, implement them, and continually press the broader community to join and act, is key.

Looking forward to and through Doha, we need to ensure a synergy between the Leading Group and the overall process, moving the overall community to endorse and implement initiatives developed in the Leading Group, including the airline solidarity levy, the CTT, action on tax havens and south-north leakage, and other ventures.

### Organising for opportunity

Finally, we need to animate our colleagues in ensuring that the windows and doors opened by the UN General Assembly resolution on the Doha Conference and process are used effectively. The FES retreat suggests focus 'on substantive discussion in informal formats' which 'could include intensive and short-duration multi-stakeholder working groups on specific high priority issues' as well as regional meetings on salient issues. We are now partway through a schedule of six sessions organised on the thematic chapters of the Monterrey Declaration and hearings in mid-June, 2008 for civil society and the private sector. How are civil society organisations preparing to make best use of these events. Information on the sessions and other elements in the road to Doha can be found on the FFD website. ([www.un.org/esa/ffd](http://www.un.org/esa/ffd))

Remember that the key dimension would be a process which permits substantive engagement between CSOs

and their national governments. In the conferences of the 1990s and review conferences like Geneva 2000, we achieved CSO representation on official delegations, and the periodic preparatory committee meetings permitted substantive advocacy at home as well as at the UN in New York or Geneva. This was also the case in the preparation of the Monterrey Conference itself. It should be central to what we plan and implement over the next weeks and months.

### FOR FURTHER REFERENCE

To keep up with events related to Financing for Development:

- The FFD web-site: [www.un.org/esa/ffd](http://www.un.org/esa/ffd)
- The newsletter, The Road to Doha, available from [ffdoffice@un.org](mailto:ffdoffice@un.org), or [www.un-ngls.org](http://www.un-ngls.org)

Regarding tax havens and, capital flight and related issues visit:

- Tax Justice Network [www.taxjustice.net/cms/front\\_content.php?idcatart=122](http://www.taxjustice.net/cms/front_content.php?idcatart=122)
- Their major report, Closing the Floodgates: Collecting Tax to Pay for Development

### Regarding the currency transaction tax:

Stamp Out Poverty [www.stampoutpoverty.org](http://www.stampoutpoverty.org) and its major report Taking the Next Step: Implementing a Currency Transaction Development Levy by David Hillman, Sony Kapoor and Stephen Spratt The North-South Institute [www.nsi-ins.ca](http://www.nsi-ins.ca) and its key report, The Currency Transaction Tax: Rate and Revenue Estimates, and 'Finance and Debt', a paper by NSI Principal Researcher Rodney Schmidt (October 2007) For further background papers on some of the other specific areas of interest, check out the website of the Norwegian Foreign Ministry:

[www.innovativefinancing.oslo/no/recommendedreading/cfm](http://www.innovativefinancing.oslo/no/recommendedreading/cfm)

### Other websites of interest:

UNITAID: <http://www.unitaid.eu/sommaire.php3?lang=en>

International Finance Facility for Immunisation (IFFIm): <http://www.iff-immunisation.org/index.html>

**Digital Solidarity Fund:** <http://www.dsf-fsn.org/cms/index.php?lang=en>

This paper is based on addresses to the International Seminar, 'Money may not be Everything, but ... Civil Society Perspectives on Financing the International Development Goals', Bonn, Gustav-Stresemann-Institut, 15-16 October 2007; to an international consultation on governance and financing issues sponsored by UBUNTU, Barcelona, December 2007; and to the Halifax Initiative Conference on Financing for Development, Ottawa, February 2008. Thanks to Eva Hanfstaengl, Jens Martens and Roberto Bissio for their suggestions.

## Annex 3

### Note on co-sponsoring organisations Conseil des ONG d'Appui au Développement (CONGAD)

#### **CONGAD,**

a consortium of Senegalese NGOs, was created in 1982. CONGAD's objectives focus on a vision: 'To strive in Senegal for a democratic pan-African society of solidarity, economic and social justice based on our positive cultural values, open to the world, and oriented towards sustainable human development'. Its aims is to develop joint action and exchanges among NGOs, defend their interests, and mobilise in pursuit of their activities and needs in particular, and those of civil society in general. CONGAD's mission is to interface between the NGO movement, the government, civil society organisations and partners in development. It provides the framework for social, political, economical and cultural discussion. The above objectives focus on a vision: 'To strive in Senegal for a democratic pan-African society of solidarity, economic and social justice based on our positive cultural values, open to the world and oriented towards sustainable human development'. <http://www.congad.sn>

#### **Commonwealth Foundation**

The Commonwealth Foundation is an intergovernmental organisation, resourced by and reporting to Commonwealth governments, and guided by Commonwealth values and priorities. The Foundation's mandate is to strengthen civil society in the achievement of Commonwealth priorities – democracy and good governance, respect for human rights and gender equality, poverty eradication and sustainable, people-centred development, and to promote arts and culture. The Foundation supports the work of civil society organisations by providing grants for capacity building, networking and regional co-operation and consensus building among CSOs; managing special programmes that seek to develop lessons and methods for greater citizen's participation in governance; and facilitating programmes that seek to build partnerships between civil society and governments, as well as to ensure the voices of civil society

are heard in the Commonwealth's official processes. [www.commonwealthfoundation.com](http://www.commonwealthfoundation.com)

#### **The North-South Institute/ l'Institut Nord-Sud.**

The Institute is a development research body based in Ottawa, Ontario, Canada, with a staff of around 20 researchers, communicators, interns and associates. It was formed more than 30 years ago, initiated by a Canadian academic who was inspired by the development vision and challenges of Nyerere's Tanzania. The Institute conducts research, often in partnership with organisations in the developing world, in such areas as finance and debt, trade, intellectual property, gender, labour standards, development assistance, indigenous peoples, conflict prevention and recovery, and migration, among other themes. The Institute publishes studies, policy briefs and the annual Canadian Development Report. [www.nsi-ins.ca](http://www.nsi-ins.ca)

#### **The Social Watch**

The Social Watch is a vital Southern-based network with global impact, with national 'platforms' in over 70 countries and hundreds of participating organisations. Its International Secretariat is based in Montevideo, Uruguay. The Watch has affiliates in many African countries. It was created in 1995 to monitor implementation of the commitments governments made at the Copenhagen Social Summit and the Fourth World Conference on Women, as well as other key international commitments. At the national level, affiliates seek to advance social development, undertake capacity building and education about it, monitor governments, develop advocacy strategies and lobby officials. Social Watch internationally publishes an annual report which has gained respect in international fora, as well as a Gender Equity Index and a Basic Capabilities Index, each with global reach. [www.socialwatch.org](http://www.socialwatch.org)

## Annex 4 References

Sony Kapoor's Power Point presentation, 'Tackling Development Challenges', and John Foster's background papers are available on the Commonwealth Foundation website: <http://www.commonwealthfoundation.com/>



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