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Presentation

Mobilizing Domestic Financing Resources, Innovative Financing and Global Partnership for Development: The solutions beyond Doha.

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Summary

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Introduction

With regard to the Monterrey Consensus that set the scene for a new global vision in financing for Development, the international community has an important role to play and the responsibility to meet its commitments. Achieving the Millennium Development Goals by 2015 has become very hypothetical, due to many challenges that continuously grow in number and span. An evidence of that state of fact is the Global triple crises of energy, food, climate and finance that we witness today.

Building a stronger global partnership for development appears more than important today, in order to ensure real support for a People Centered Development through better governance in managing global resources. Donor countries and the private sector have committed to support the efforts of developing countries with more ODA, fairer trade, debt relief and improved access to essential medicines and technology. But despite progress achieved in several areas significant gaps still exist in meeting the commitments that were supposed to permit achievement of the Millennium Development Goals (MDGs).

Half way to the 2015 objective date, the Doha International Conference for the Review of the Monterrey Consensus, appears as a crucial turning point in reshaping the global financial architecture as well as the whole economic system. Many instances have been wondering how far the World has gone and what is left to be done in order to achieve the Millennium Development Goals. Down the road evaluation and appraisal have been conducted here and there.

The Commonwealth Foundation for example, one of the two components of The Commonwealth of Nations with the Commonwealth Secretariat came out with a number of evaluations supported by three main works and publications:

- ***"Breaking with Business as Usual: A Civil Society Perspective on the achievement of the Millennium Development Goals in 2005";***

- ***"An Agenda for Growth and Livelihood: A Civil Society perspective";***

- ***"Breaking the Taboo: A Civil Society Perspective on Innovative Financing Mechanisms***

At the request of the UN Secretary General, the Millennium Development Goals (MDG) Gap Task Force prepared a report titled : *"Delivering on the Global Partnership for Achieving the MDGs* ", in a view to tracking international commitments on aid, trade, debt and to follow progress on access to essential medicines and technology. It identifies the areas where additional actions still need to be taken.

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Large debt relief to the Heavily Indebted Poor Countries (HIPC) shows the contribution that a strong partnership for development can make to increase investments for human development. In other areas, however, there is an urgent need to strengthen the global partnership for development by closing some of the remaining gaps. This includes:

- *Increasing ODA by 18 billion dollars a year in order to meet the 2010 target set at the G-8 Summit in Gleneagles in 2005;*

- *Re-commencing trade negotiations immediately to reverse the damage made by their recent collapse on the promise to give a development focus to trade negotiations;*

- *Improving access to essential quality medicines, especially in the public sector, to make them available to the poor;*

- *Accelerating the diffusion of new technologies for development and increase investment in infrastructure, especially electricity.*

Questions and issues for concern are numerous today as we appraise the work done since Monterrey in 2002. What should be done to close these gaps? The Civil Society Forum in Doha as well as the main UN International Conference on the Review of the Financing for Development process should be able to stimulate debate and call for concrete action on what can be done to move the international community to live up to their commitments. One of the main focuses is Official Development Aid (ODA) which has decreased over the past recent years, while at the same time the needs in developing countries to respond to poverty and other challenges have been increasing. The food crisis the climate change challenges seem to be getting worse.

From Monterrey to Doha: The road covered so far in the FfD process

The International Community has been trying to take moves such as the Accra, Ghana OECD led High Level Meeting to find out how can ODA be made more effective in supporting the achievement of the Millennium Development Goals (MDGs). But still, it is acknowledgeable today, with regard to some “non-efforts” that ODA and other traditional schemes have failed to solve the Financing for Development problem. Debt relief and trade globalization do not seem to work. WTO negotiations have kept stepping from one session of failure to another, while the 0.7% ODA commitment never seemed to be neared by rich countries.

Developing countries on their part have not been able to use debt relief as a real poverty reduction tool. The two sides share responsibilities for the situation, as it should not be concealed that if debt effectiveness is not achieved, it is because of failures from both developing and developed countries. The firsts seem not to have been able to think their own development strategy and get rid of inefficient behaviors, while the seconds have

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kept imposing odious conditionnalities. It appears that traditional methods to collect and invest financial resource into development have failed and the time is ripe for something different and more innovative to be done. The question on what can be done to move the international community to live up to their commitments has to, and can find an answer today through innovative financing mechanisms.

Now, half way to the target date of 2015, it appears obvious that we are far from the target. Chances are slim that the Millennium Development Goals (MDGs) be achieved by the target date, if the trend that we witness today with regard to development financing mechanisms is not drastically and urgently changed. Never-the-less, there is room for optimisms and we can be affirmative that there is a way out through Innovative Development financing Mechanisms, combined with a more efficient approach in mobilizing domestic resources. It is all about strengthening the global partnership for development and building consensus on Financing for Development (FfD). This is crucial and has rightly been thought so since Monterrey, where World Leaders took the commitment to achieve the Millennium Development Goals (MDGs).

Innovative Financing Mechanisms as a solution

The Doha UN International Conference for the Review of the FfD process gives a real opportunity for the World to engage in serious and positive self-criticism, in order to come out with a new vision on development issues. Among other things, the need for example is high to implement innovative Development Financing mechanism, making sure that we build on pass mistakes. Luckily, a number of such mechanisms either have already been initiated or are in an advanced stage of thinking and analysis on their feasibility or implementation.

The “Leading Group on Solidarity Levies” that include more than 60 countries working on Innovative Financing development mechanisms, with contribution from other stakeholders including the Civil Society, have done a great deal of work on a number of new mechanisms that could help yield more and probably enough financial resources for the MDGs. Among these are the following that are already implemented:

- *the Air ticket solidarity levy proposed by President Jacques Chirac of France, which finances the international drug purchase facility UNITAID to help combat AIDS, tuberculosis and malaria;*

- *the International Financing Facility for Immunization (IFFIm), advance market commitments, on the initiative of the “Group for Action against Hunger and Poverty”;*

- *the Digital Solidarity Levy, proposed by President Abdoulaye Wade of Senegal, to finance the digital divide in developing countries and help fill the gap that hinders*

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access to global markets by the poor, through the Digital Solidarity Fund now based in Geneva;

Other such mechanisms are proposed with high potential to generate new additional, sustainable, accountable, and predictable resources for financing development, under the auspices of the United Nations. To name just a few and the more important ones, we have:

- *the Carbon Tax, as a measure to limit global pollution and climate change;*

- *the migrants transfer schemes, to help gear resources towards development priorities in poor countries whose nationals have migrated to developed countries.*

- *the Currency Transaction Tax (CTT) for MDGs, which would be a minor, very tiny and insignificant levy on global currency transactions which are known, to date, to be very huge, without any sensible impact on the current situation and without any constraint with regard to different domestic tax policies or systems, at a 0.05% rate;*

It should be acknowledged today, under the light of research and study results that these innovative financing mechanisms, if fully implemented, could provide additional funds to supplement Official Development Assistance (ODA). It should also be noted that this goes with considering them not as substitute for ODA, but as an addition and considering that they should not unduly burden developing countries.

Solidarity at the core of Innovative Financing Mechanisms

Innovative Financing Mechanisms beyond all other advantages that they carry are particularly built upon the idea of solidarity for development.

The Air Ticket Solidarity Levy

President Jacques Chirac was very specific and convincing about this when he managed to explain, with regard to the Air Ticket levy, that it would help get to a better formula for sharing the gains of globalization. It is about taking part of it benefits from the rich and conveying it towards the very poor. The idea behind this scheme is to call upon those who can afford an air ticket, when they do so, to add the equivalent of just a few dollars to their expenditure effort and help buy more drugs to fight diseases that threaten those who can not even afford the basics of life.

The 1% Digital Solidarity

It is a “no cost” mechanism proposed by the Digital Solidarity Fund (DSF) that has the potential to generate billions of dollars if applied on a large scale. Its implementation

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merely depends on the political commitment by world leaders to narrow the digital divide ad enable all developing countries to catch up with the digital age.

The 1% digital solidarity mechanism is a scheme whereby all public institutions and private companies that purchase digital products or services are asked to include a digital solidarity clause in their invitations to tender. The successful bidder accepts to pay 1% of the total contract value to the Global Digital Solidarity Fund. The DSF then uses these resources to buys goods and services from these same companies, to invest in insolvent regions that are excluded from the information society. In doing so, the DSF creates new markets for digital businesses and promotes an information society based solidarity principles.

The fund-raising potential of the Digital Solidarity Fund is increased bay the fact that the 1% solidarity mechanism is not only for state administrations. It is also meant for local authorities and the private sector.

The Solidarity Side of the Currency Transaction Tax (CTT)

There is renewed international interest in a possible currency-transaction “development levy” of 0.005 percent, a minuscule tax that is not expected to materially affect market operations while having the potential to generate billions of dollars that can be allocated for development.

There have been proposals in the past about currency taxation and one which is easily recalled is the TOBIN tax which was much more viewed in a punishment perspective and drew a great deal of opposition from neo-liberal defenders. The way the Currency Transaction Tax (CTT) would work brings up something more innovative that pertains to solidarity. It’s core philosophy is close to President Chirac’s idea of a fairer distribution of the benefits of globalization, by its insignificance as far as the rate is concerned, a barely perceivable 0.005%, and its purpose which is to raise more resources for attaining the Millennium Development Goals (MDGs).

Thus, load that payers of this levy, because it should be considered as a voluntary levy rather than a tax, will be very light. Another peculiarity of the CTT is that the load in terms of policy space related its implementation is without great impact. Despite it global nature, countries will have a relative independence. Above all, there is no doubt about the feasibility of this mechanism when we refer to existing situations and experiences.

OECD countries are already raising substantial amounts of revenue on various types of financial transactions taxes 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 unilaterally. By its nature, the Currency Transaction Tax involves more than one country, as the levy is

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applied when exchanging from the currency of one country for that of another country. The CTT is thus best implemented in a cooperative manner among countries.

New perspectives in mobilizing domestic financial resources

The concept of mobilizing financial resources, as understood in the Monterrey consensus seems to be referring much to how countries can build efficient tax systems in a view to collecting more resources locally. Much reflexion has been carried on since on how to make this possible including some that Call for the Responsibility of the North, with regard to helping raise additional resources through a tax cooperation system that integrates schemes for the return of resources illicitly transferred from the South to the North.

But there is an important missing factor in this elaboration when one closely looks at what the situation really is in the majority of developing countries and in sub Saharan Africa in particular, where poverty strikes hard. In fact, the concept fails to seriously consider the accessibility of existing financial resources by the bulk of the population, that is people at the grassroots, in rural arrears, the poor and more vulnerable section of the people including women and the youth.

Although the economy in developing countries is based on very small, small, medium size structures or the underground economy, the traditional financing system gives them no opportunity because they can provide no collateral and have very law income level allowing no savings. It is well know that microfinance is still very week were it is needed the most. How ever innovative we could be in the conception of mechanisms to mobilize new financial resources, there is a crucial starting point in developing countries: ***Building the production capacity of people at the grass roots***.

If the poor, women, the disabled and all less favored groups such as small farmers, in Developing Countries could be given the ability access existing financial resources in order to efficiently invest in their nearest environment, where there are always contextual opportunities, then one would ensure that they generate enough income, through entrepreneurship or decent work. This in turn would create a good basis for taxation, on which effective tax policies could be applied at domestic level.

It should be noted here that one of the man reasons of lack of effectiveness of aid is that related financial resources are generally geared toward irrelevant sectors, without real impact on the targeted populations. People at the grassroots would produce more from less as compared to other stakeholder in developing economies. It is about time that investment be people centered and that the crucial step for people centered governance be taken by giving adequate space and opportunity, to people at the grassroots in their countries, as well as build their capacity to contribute effectively to the policy making process including conceptualization, implementation, monitoring and evaluation.

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Conclusion

The Doha Review conference is an opportunity in the sense that the Doha Outcome Document, which is now being negotiated could help take decisive steps in adjusting the global trend in Financing for Development. The Paragraph on Innovative Financing Mechanisms in the first draft of the document gives a real chance for reliable solutions to development Financing. It ought to be made stronger and more specific on the possible related possibilities.

Revision is needed in the perspective of mobilizing domestic resources. It should go beyond merely considering the taxation system. It should get to really building the income generation capacity of people at the grassroots. This is a crucial step in investing in people centered development.

If World Leaders could accept to use the Doha Review Conference as an opportunity for a new start, after acknowledging pass failures and really resolve to "stay engaged" in the Financing for Development process which started in Monterrey, then the solution is at hand which can benefit the entire World. Staying engaged in the process would imply setting more efficient follow-up mechanisms, characterized by the following features:

- *Periodically activated and more frequent in time;*
- *Aimed at producing a negotiated outcome;*
- *implemented at the high level in government and the top leadership of the International Financial Institutions (IFS);*
- *Such that the contribution of the Civil Society is stimulated in the final phase at national, regional and international level as well as at the main conference itself, by provision of full access to its proceedings;*
- *Open to improvement for accessibility of all stakeholders, including the Civil Society to information and to negotiations.*

The solution beyond Doha lies in stepping from talk to action on the way forward.

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