

**Informal Review Session on Chapter 1V of the Monterrey Consensus:
'Increasing International Financial and Technical Cooperation for Development'**

16 April 2008, New York

Intervention on behalf of Civil Society by David Hillman of Stamp Out Poverty.

Mr Co-Chair,

Stamp Out Poverty is a network of more than 50 UK organisations that has been working for a number of years on innovative sources of development finance, we also represent the European Network on Finance and Development – so we are particularly happy and honoured to have this opportunity to address this important Review Session today.

Since the 2002 Monterrey Consensus 'Innovative Finance' has come a long way. Firstly, we now have the *Leading Group* of countries working on development financing with important leadership being shown by France, Brazil and Norway. Secondly, the Secretary-General has, in the last few weeks, appointed former French Minister, Philippe Douste-Blazy, to the role of his Special Representative on Innovative Financing. Thirdly (echoing the words of the Brazilian and Senegalese representatives who have previously spoken), two 'pilot' schemes – UNITAID and IFFIm – have come into being in the last 2 years producing to date in the region of 1.5 billion dollars of innovative finance between them, providing drug treatments and immunisations – saving the lives of many thousands of men, women and children - real progress, indeed.

I would like to re-assure the representative from Barbados who just voiced a concern about UNITAID suggesting that these aviation levies could have negative effects on tourism. It is important to acknowledge that the rate of the *air passenger duties* involved here are too low to diminish the volume of passengers whilst still raising significant revenues. Indeed, UNITAID is worthy of particular mention because it has proved that nationally-collected, internationally-disbursed, levies can work very successfully as long-term streams of development finance. UNITAID sets an important precedent, therefore, for the introduction of further innovative levies in the future. It also sets a notable precedent because the majority of its funds are *additional* finance – that is they are not counted as traditional ODA to the DAC.

And since I have touched on *additionality* let me sound a note of caution and be very clear on this issue – *Innovative Finance* cannot be a replacement for traditional ODA. It only makes sense if it provides *additional* funds. This is particularly important to emphasise since the recently published ODA figures for 2007 show that *aid volume* has fallen for the second year in a row. It is of great concern that most donors have not made the required increases in ODA necessary to meet the MDGs and their commitments under the Monterrey Consensus. It is essential that countries honour the 0.7% pledges they made in Gleneagles in 2005. Innovative Finance cannot, and indeed must not, be used to top up ODA – it can only play an important role to help bridge the funding gap to meet the MDGs if it is *counted as additional*.

But if *Innovative Instruments* can be allowed to produce *additional* revenue then they serve a vital purpose, most especially given the seriously increased demands we face because of the staggering costs of climate change - which according to the UN Intergovernmental Panel on Climate Change, and NGOs in my network such as Oxfam and Christian Aid, will cost between 50 and 100 billion dollars *extra* each year to deal with *adaptation costs* alone.

Yesterday we were privileged to hear the presentation of Professor Reddy of Columbia University who made a strong case that aid needs to be designed and spent in ways that are far more effective than at present or they essentially fail to make a beneficial difference - an important and sobering point. One of the key determinants of whether aid is effective is that it needs to be *long-term* and *predictable*. This is where

Innovative Instruments such as the aviation levies that pay for UNITAID are so important. Levies create predictable, long-term streams of revenue that allow aid to be properly planned and delivered.

There is great potential for new levies to be introduced to provide *additional* and *predictable* new money. We were particularly pleased to hear the UN Secretary-General's advisor on Innovative Finance say on Monday in the ECOSOC session on 'New Initiatives to Finance Development' that (I quote) "we must have taxes on currency transactions". This is something that NGOs have campaigned for long and hard, so we were extremely pleased to hear this open-minded approach. We would like to see specific mention of Innovative Instruments such as this reflected in the Doha Outcome Document. As well, we encourage a Southern and a Northern country to work together to *pilot* a Currency Transaction Development Levy. Rolling out such an initiative, according to a study by the UN University published last year has the potential to generate billions of dollars of *extra* revenue and due to the electronic automation of the markets can be put into operation almost immediately.

NGOs across the world believe that unless initiatives with this kind of vision and scale are introduced then it is hard to see how the Millennium Development Goals will be met. Thank you for your attention.