

**Doha Review process of the Monterrey Consensus
Informal Consultation. June 16, 2008**

New innovative sources of FfD

A priority in the outcome of the Doha Review Process

As it is widely known, the review process of the Monterrey Consensus on Finance for Development, FfD, is held halfway to 2015. Voices are now raising to point out that it will be impossible to achieve the MDGs unless there is a sharp change of trend in the provision of the sources of finance that are needed.

Moreover, 2008 is pointing out other challenges –the food crisis, the need to adapt to climate change- that will increase the need for resources devoted to finance development in the world (in a broad sense).

However, in this context, the process of growth of ODA, which was positive in the period between 2002 and 2005, reversed this nature in 2006 and 2007, and probably also in 2008. Furthermore, the combination of macroeconomic elements (domestic resources, direct foreign investment, balance of trade), that define the possibilities of a developing country to move in one or another direction, is having a quite negative result.

In front of all these facts, those initiatives that define and implement policies that promote a radical change in the direction of those trends cannot be missed in the outcome text of Doha. This is the only way to settle us in a different, favorable framework.

Nevertheless, the increase in the challenges that we face is so important that we are forced to find new innovative sources of FfD that guarantee the provision of additional funds (not substituting the aforementioned ones). Those new funds must also be predictable, stable and sustainable.

This was the willingness that impelled the launching, in 2005, of the Initiative against Hunger and Poverty and its *Pilot Group on Solidarity Levies to fund Development*. Some of the results obtained in this framework are the "Levy on Airplane Tickets" and the creation of UNITAID, led by France. This is a new, innovative way of financing the funds collected by means of this levy. However, these funds are scarce, given that only a minority of the 20 countries that announced that would apply the tax has done it.

Another result –very necessary, important and positive- has been the creation of a "Task Force on Illicit Financial Flows and Capital Evasion", led by Norway.

The so-called "new innovative mechanisms for FfD" were the object of an interesting and important reflection by the SG of the UN, as stated in his note on the occasion of the Spring meeting of the ECOSOC this year 2008. The SG wondered and asked:

Which new initiatives on financing development have the highest potential of increasing resources?

Answering to himself, in the note 6:

6. 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. 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. The difference is that, by its nature, currency transactions taxes 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 among countries.

In this context, the UBUNTU Forum Secretariat, that has impelled and worked in the framework of the "NGO Working Group on CTT for FfD", considers (fully supporting the words of the SG) that the review process of the Monterrey Consensus must be the historical momentum to take the steps that will allow the implementation, at the most global level possible, of the CTT.

We believe that it is possible and necessary to achieve an "International Political Agreement" of global implementation of the CTT, as one of the outcomes of the Doha review Process, and at the maximum level.

This agreement should include the compromise to address the money collected to multilateral funds of the UN. During a first period, it should be allocated to the achievement of the MDGs.

Why would this agreement be so important? From our point of view, it would be so for many important reasons. Today we will only underline two of them. First, the implementation of this tax would have a redistributive effect on world's wealth. This is, from our point of view, a basic requirement for the achievement of a more balanced and fair world. Second, it would provide a sharp change of trend in the provision of financial resources for FfD.

Departing from the analysis of the data published in 2007, the daily amount of money that circulates in the FOREX (Currency exchange Market) is USD 3,200 billion. According to our estimations, it generates a yearly turnover of USD 865 billion (this is the highest macroeconomic aggregate among all the existing ones). The retention of 0.005% suggested by the SG would provide us with USD 45 billion. This represents an increase of near a 50% in current ODA.

This sharp change on trend in the amount of resources available to face the development challenges that exist is necessary and, above all, possible. We can not miss the opportunity to establish the basis for its obtaining and application.

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