Claudio Fernandes, Brazilian Association of NGOs (ABONG)

Mr. President, Mr. Co-facilitators, excellencies, representatives of governments and civil society partners, good morning. Thank you for organizing this hearing. In the name of Gestos and the Brazilian Association of NGOs, I would like to share some ideas on innovative financing.

The commitment to official development assistance is a key element in promoting partnerships, and should be fulfilled, but there is a specific need to design binding agreements to try and solve the financing side of the sustainable development goals implementation. As data shows, philanthropic and voluntary contributions have reduced for the past five years, in the aftermath of the last *financial meltdown*.

To give you an example related to the unmet MDG 6, a report by Funders Concerned about AIDS shows that, in 2013, the private voluntary funds decreased by 8%, to 592 million dollars. This amount represents 3% of total global AIDS financing, that still has most resources coming from national budgets.

But, according to the 2013 ECLAC report,[1] in all countries of Latin America the internal resources are not sufficient to finance national development, especially in countries facing extreme and high poverty rates. It calls for a “progressive tax system worldwide and for the implementation of innovative financing mechanisms for development, such as global taxes, specially the financial transactions taxes.”

At the recent ECLAC FfD Consultation, the Vice-President of the Brazilian Development Bank raised an important point: "the world lives a unique type of economic problem: it has excess of liquidity." Therefore, one of our many challenges is that, in order to eradicate poverty and substantially reduce inequalities, we need to tap into such accumulated wealth. According to the Bank of International Settlements[2], the world financial system has a notional value of more than seventy times the size of global GDP. The derivatives market alone has eleven times more value than the world economy. The currency market by itself moves daily an average 4.3 trillion dollars.

What is concerning to us, citizens around the world, is that with all this money out there, except for a few Latin American countries, inequality has been steadily growing, including in the countries with high rate of public debt that have adopted austerity measures. Furthermore, we know by now that the growth of inequality have the special help of regressive tax systems, flawed economic theories, and perhaps, a lack of political will.

The FfD Conference should mark the begining of a post-2015 era. An Era where we can speak about Economic Democracy. It is time for governments to get back to the driving seat of development and fulfill their sovereignty duties by enforcing the state power of taxation to regulate, monitor, and raise resources from the overblown financial system through the implementation of national and multi-jurisdictional financial transactions taxes, as well as promoting national progressive tax models.

In this regard, we welcome the work of the Leading Group on innovative financing for development, and we specially welcome the inclusion of financial transactions taxes in the FfD Zero Draft, for it is an instrument that, besides raising systemic revenues, does help to curb illicit capital flows.

The Future We Want requires large sums of resources. The UN Environmental Programme estimates that the SDGs means of implementation will demand additional 6 trillion dollars yearly. To put in perspective, in 2013 the net ODA was about 134 billion. And, again using the example of the MDG 6, UNAIDS reports[3] that 35.6 billion dollars are needed per year to end AIDS, but in 2013, the total invested was 19 billion (showing a current gap of more than 15 billion yearly.) This indicates that to guarantee funds for a transformative agenda will require systemic flow of resources, and that is not secured only by short-term private interests or voluntary assistance.

Also, a *smart investment* for long-term sustainable development will be key, but it will require a paradigm shift on resources allocation: investments should place people in the centre and must be based on their core needs. For instance, a study by the High Level Task Force for ICPD[4] shows that for every dollar invested in gender equality and the empowerment of women and girls there might be a return of 120 dollars. I can not think about a better way to get "more bang for the buck" in the long-term.

Reallity check is that we can not afford the cost of wrong choices or inaction. Excellencies, the opportunity is upon you to commit to an FfD outcome that may contribute to the rise of a future global economic democracy. Thank you.

by Claudio Guedes Fernandes (claudio@gestos.org)

[1] CEPAL (ECLAC). *Desarrollo Sostenible En América Latina Y El Caribe: Seguimiento De La Agenda De Las Naciones Unidas Para El Desarrollo Post-2015 Y Río+20*, August -2013
[2] Bank of International Settlements. http://www.bis.org/statistics/derstats.htm
[3] UNAIDS. *Fast Track: Ending the AIDS Epidemic by 2030.* At www.unaids.org
[4] High-Level Task Force for ICPD. *Smart Investments for Financing the Post-2015 Development Agenda.* At www.icpdtaskforce.org