High-level Dialogue on Financing for Development – Wednesday 24 October 2007

Multi-stakeholder round table 4:
Increasing international financial and technical cooperation for development

Speech by David Hillman of Stamp Out Poverty (as written)

Chair,

Stamp Out Poverty is a network of more than 50 UK organisations - including Save the Children and Oxfam - committed to the achievement of the 0.7% ODA target, who are working on initiatives to create additional finance for development.

In the past few years since Monterrey we have been privileged to participate in exciting progress that has seen the birth of the Leading Group of countries working on innovative development financing, which now comprises 53 UN states.

This progress has seen the launch of UNITAID in September 2006, swiftly followed by the International Finance Facility for Immunisation. Between them these two health-related schemes have generated more than $1.3 billion in annual revenue.

What we have witnessed in the last five years is a move from these kind of ideas being theoretical – to them becoming operational.

Norway, when it hosted the Leading Group earlier this year, called upon Stamp Out Poverty to present a proposal that could underpin a follow-on initiative to UNITAID.

UNITAID, let us remind ourselves, is a very successful pilot project – principally funded by the pooling of various aviation levies – financing HIV/AIDS, TB and malaria treatments.

The Norwegian Ministry of Foreign Affairs commissioned Stamp Out Poverty to write a report for their Leading Group conference this February setting out how a Currency Transaction Development Levy could raise substantial amounts of additional development revenue on an annual basis.

In our work, Stamp Out Poverty consulted with leading City of London think tank, Intelligence Capital, to create a proposal that differs from previous propositions by setting a rate below one hundredth of 1%, which experts concede as too low to affect market operations but high enough to generate significant revenues.

The foreign exchange market provides a strong base for the raising of predictable, on-going aid income (long-term financing being essential for the MDGs to be met) – it is the world's richest market, currently worth $3,200 billion a day, having increased in size by 71% in the last 3 years.

Some participants to this round table may be wary of this kind of proposal, but Chair, please let me allay these fears. Let me be very clear. We are not speaking of any kind of global taxation – UNITAID has successfully proven a model where only countries who choose to participate, administer a levy nationally, and pool the proceeds internationally, to be spent on a commonly-agreed development outcome (such an initiative should not be perceived as a threat to any country who may, for perfectly understandable reasons, not wish to participate).

Secondly, let us also be very clear that this proposal is not the Tobin tax. It is solely concerned with financing development whereas Tobin's idea was to use a high rate transaction tax to alter the way in which the foreign exchange market would operate. That is not to say that there isn't an important conversation to be had about financial tools to regulate aggressive speculative activity that can damage the economies of developing countries – a point that was brought up in a number of Plenary statements yesterday – but that is not our particular focus today. Here we are concentrating on an initiative of development financing alone.

In the Civil Society Hearings preceding this High-level meeting on Monday, Professor Rodney Schmidt of the North-South Institute presented to Plenary the results of his study for the UN University published this month. His findings concur very much with our own work, though he goes further than we have in his calculations of revenue. His conclusion is that a Currency Transaction Development Levy applied to the world's most traded currencies would generate a minimum of $33 billion annually without causing adverse effects to the foreign exchange market.

The Leading Group agreed in Oslo in February that an international taskforce be set up by countries interested in taking this proposal to its next logical step – <u>that a country pilots this levy on its own currency</u> – already France, Austria, Italy and Norway have indicated willingness to participate in this taskforce.

For the purposes of this roundtable – on the road to Doha – it is vital that no stone be left unturned in our search for new development finance, especially a stone that may have more than $30 billion of annual revenue beneath it.

We, therefore, appeal to the many countries, who may have been unaware of the progress in this field in the last few years to look at the work that has been done and join the International Taskforce so that we may see a pilot Currency Transaction Development Levy come into being at the earliest opportunity.

In conclusion, let me say (in agreement with Professor Jeffrey Sachs in his introduction to this roundtable) that **urgency** is a key factor. In this regard I would like to echo the words of the UK Prime Minister, Gordon Brown, speaking here, at the UN, in July, when he said that we are facing "a development emergency that requires emergency action".

All the science to bring a Currency Transaction Levy into being, has been developed. It is now ready to be rolled out, generate money and start saving lives. Stamp Out Poverty urges UN states to find within its number a country to pilot this initiative as a tangible contribution to financing the Millennium Development Goals in the months ahead, as we approach Doha.