

Beyond consultation: innovative sources

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Financing for Development: the formal process

The Financing for Development process, led by the United Nations was begun in the context of the Asian crisis in the 1990s. In 1997-1998 the General Assembly moved to plan an International Conference on Financing for Development, which was held in 2002, in Monterrey, Mexico, along with a People's Forum which brought several thousand civil society people together. Social Watch had many participants at these events and has followed the process quite closely, facilitating civil society representation and input. Since Monterrey regular high-level meetings, research and special events and an ongoing Financing for Development Office within the Department of Economic and Social Affairs at the UN in New York have continued.²

Some notable characteristics of this process include:

- *A comprehensive agenda.* Monterrey included a remarkable range of development finance issues, including many, like debt and financial crisis, Overseas Development Assistance (ODA), etc., which preoccupy civil society, trade and development dimensions. It also included systemic issues which can include many development implications as well as issues of governance, including the governance of international financial institutions, representation and relative power of developing countries, etc.
- *Institutional coverage.* The Financing for Development (FFD) process includes not only the UN and its agencies but the World Bank and the International Monetary Fund (IMF), the World Trade Organization (WTO) and more recently United Nations Conference on Trade and Development (UNCTAD). The process is a big tent. For civil society organizations concerned with how the whole international system works, it offers an opportunity not present elsewhere.
- *"Stakeholder" engagement.* From the planning period for Monterrey to the present day the process has included participation and voice for civil society organizations as well as the

private sector. The FFD office has engaged with representatives of these sectors in developing study projects and consultations and has taken care to utilize NGO networks to secure nominees to speak at its various meetings. The process is relatively open; organizations can gain access even if, as has been the case for many in 2001 and since, they do not have Economic and Social Council (ECOSOC) consultative status.

- *Site for initiative.* Although the process has not been able to move the whole membership of the UN in a given direction, or to make the World Bank, IMF or WTO accountable to that body, it has provided an ongoing forum for the testing and launching of initiatives, like those in innovative financing, which we examine below.

Why are we raising Financing for Development at this time?

The Monterrey Conference agreed that there should be a major review of implementation in five years, which would normally have been this year, 2006. In fact, it is likely to be held a couple of years late. The UN will debate and, it is hoped, decide on a review conference at the General Assembly which begins in September 2006. There is an invitation on the table from Qatar and a general target date of 2008-2009.

At this stage it is important to assure:

- that there is a *high level conference* to review the Monterrey "consensus"
- that the *agenda is comprehensive*, including systematic issues and issues of governance
- that there is a *full preparatory process* for that conference which will involve preliminary sessions to prepare the evaluation of progress and proposals for further action
- that *civil society organizations (CSOs) are a full part* of the preparatory process and that organizations like those represented in this report and their many allies and associates, take advantage of that process to engage governments to ensure these initial objectives.

The CSOs in Monterrey in 2002 made it very clear that while they appreciated the comprehensive agenda, accepted the opportunities to participate in roundtables and other forums and appreciated support for the people's forum, they did *not* endorse the so-called "Monterrey Consensus" which was adopted by the inter-governmental conference.

It is fair to say that many CSOs maintain the same position today, taking the opportunity to engage, but continuing to challenge the results endorsed by governments and the international economic institutions.

The Financing for Development process is the product of initiatives from developing and middle income countries. It has obvious weaknesses and limitations. However it offers opportunities for engagement which are not present elsewhere, particularly for those who are concerned with governance, democracy and transparency, with how the different parts of the system work either for or against development. It can also be a forum in which new proposals are put forward and support built.

Breaking taboos: innovative instruments broach the idea of global taxes for global goods

Following years of adhering to the widespread illusion that globalizing the economy would be enough to solve all development problems, the international community is finally accepting the need for solidarity. The solution is new financing mechanisms that mobilize part of the benefits of globalization. The proposals were considered completely unrealistic a very short time ago. They were even taboo in certain international organizations. Now they are discussed in all the major international forums... With these contributions, we are going to extend our solidarity base using a fraction of the new wealth created by the globalization process, a large part of which escapes States' taxation. We are going to use the most advanced techniques of our modern economy in the interests of the poorest.³

When Presidents Lula Da Silva of Brazil and Jacques Chirac of France announced Action against Hunger and Poverty at a meeting at the UN in 2004, the thought that it might take concrete shape within two years in a linking of innovative instruments to provide additional development funding and specific priority health needs (HIV/AIDS, TB and malaria) seemed a dream indeed. Hostility to the idea

³ Speech by M. Jacques Chirac, President of the Republic. Paris International Conference "Solidarity and Globalization: Innovative Financing for Development and Against Pandemics." Paris, 28 February- 1 March, 2006. Available from: <www.diplomatie.gouv.fr>.

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² See <www.un.org/esa/ffd> for detailed information.

of new, possibly global, levies like the Currency Transaction Tax (CTT) was palpable, particularly in Washington. The idea of a tax on air travel or a carbon tax seems equally unrealistic.

On 1 July 2006 France implemented its air ticket levy, Chile began one in January, more than a dozen other countries have pledged similar measures, and an international "Leading Group on Solidarity Levies to Fund Development" has more than 40 government members. The Group is growing and developing a drug purchase agency or UNITAID which will use funds resulting from the levies to invest in providing consistent supplies of affordable drugs to those in need of them.

The levy

At the Paris Conference, President Chirac convened a large international ministerial conference to mark progress on this agenda and build momentum. The involvement of a significant number of AIDS-related, development and finance-reform NGOs was demonstrated in both speakers and participants.⁴

The French government detailed its intention to begin a levy graduated according to class and destination of service on air tickets.⁵ Together with Gordon Brown of the UK it confirmed that the UK would contribute to the trust fund created by the air ticket levy, and that France would contribute to the UK's innovative International Financing Facility for Immunization. The French-initiated fund would be aimed at issues of consistent and sustainable supplies of life-saving drugs for people with HIV/AIDS and other diseases.

The International Drug Purchase Facility (IDPF) or UNITAID

In a joint declaration (2 June 2006), Brazil, Chile, France and Norway established the "foundations" of the IDPF, which has been named UNITAID in all languages. Noting the at least six million people with HIV who need anti-retroviral treatment (currently available to only 1.2 million), the sponsors stated "it is imperative to change the scale at which treatment is available, which in turn, implies a change in scale in the mobilization of resources."⁶

UNITAID aims to assist in the consistent provision of essential drugs for HIV/AIDS, TB and malaria in poorer nations. It claims the principles of: solidarity, complementarity, sustainability, predictability, additionality, adaptability, partnership, independence, accountability and aid effectiveness – no small order.

It seeks to use new innovative additional funds to provide predictable and sustainable sources of financing to pool drug purchases, provide a new impetus for drug prequalification processes and to support strengthened national regulatory agencies for drug quality control. It hopes to promote the diversification of generic products, induce price reductions and attract new manufacturers.

Current thinking is that organizationally, the facility will be a "small body legally embedded in an existing organization." The facility will be governed by a combination of a Board with responsibility for oversight over the trust fund and the secretariat and a consultative forum, meeting at least annually involving "donors and other stakeholders", allowing "for reporting and broad accountability." Interim forms of these structures will be established for the first year and the World Health Organization (WHO) has agreed to act as secretariat and trustee of the funds. The issue of representation of CSOs, people living with HIV/AIDS and vulnerable groups in the governing structures remains in debate.

The sponsors have already informally involved interested NGOs and people living with the diseases, welcomed participation of pharmaceutical companies, major multilateral organizations in the field like WHO, the Global Fund, UNAIDS, UNICEF, the World Bank and UNDP, and constructive contributions by both the Gates and Clinton Foundations.

From intention to implementation

The number of countries agreeing to launch a "Solidarity Levy" on air tickets continues to expand. South Korea has joined the group of 15 countries intending to launch this year; India, Guatemala and China are among others rumored to be considering it.

The UNITAID facility continues to develop as well. While the French levy is expected to contribute approximately USD 250 million annually initially, Spain has agreed to fund USD 100 million a year for the first four years with no levy, Norway USD 25 million, Brazil USD 12 million and Chile USD 4 million. France indicates that 90% of its levy resources will go to the International Drug Purchase Facility (IDPF) and 10% to the International Financing Facility (IFF) for immunization.

On 2 June 2006, as part of the lead up to the Football World Cup in Germany, the FIFA through 1995 Player of the Year George Weah underlined the sports organization's commitment to human rights by announcing that two UNITAID branded official match balls will be exchanged by the two team captains before the kick-off of each of the 64 matches.

Civil society organizations concerned with the financing side of this activity have met not only in Paris in February but at the first Plenary Meeting of the Leading Group in Brasilia, in July, 2006.

Progress and challenge

While governance issues for the new facility remain in debate, CSOs have made further trenchant critiques of the current response to HIV/AIDS as it is shaped by existing policies and WTO agreements on intellectual property. As a number of spokespeople have indicated, what is the use of raising significantly greater resources for drug purchase if countries are still paying companies two or three or more times the lowest price, and the money is essentially recycled North, leaving many without treatment.

It has been forcefully suggested that the UNITAID initiative will only succeed in contributing significantly to the achievement of universal access to treatment by 2010 if a) it combines efforts with other purchasers, gaining greater leverage, b) it works to support governments in utilizing all flexibilities and openings in the existing Trade Related Intellectual Property (TRIPS) regime and opposes further extensions thereof, c) works to break patent barriers.

Whether governments muster the will to make the most effective and efficient use of the resources through these steps is quite unclear, and probably – like the achievement of the Doha declaration on intellectual property and health – dependent on the extent of civil society agitation and pressure.

It's not just about air tickets

The innovative financing initiative is about a *menu* of practical projects, from Gordon Brown's IFF and IFF for immunization, Chirac's air ticket levy, through the Chilean interest in a new round of Special Drawing Rights, and the German Development Minister's continuing interest in a Currency Transaction Tax (CTT), among others. Non-Governmental organizations are vitally interested in several of these initiatives and raising other themes including a carbon tax, debt cancellation and an international tax agreement and "tax justice". A good deal of interest in advancing government action against tax evasion

4 The Paris Conference was attended by approximately 600 people, including representatives of 93 states, 3 heads of state, more than 70 ministers, the UN Secretary-General and representatives of many multilateral organizations and NGOs.

5 Cf. Wahl, P. "International taxation: the time is ripe" in this Report.

6 Interestingly the declaration was made by two foreign ministers (Brazil, France) a health minister (Chile) and a development minister (Norway). This cross-sectoral mix is typical of the approach of these initiatives.

and tax havens has been expressed both in the Paris and Brasilia conferences.

Looking forward

What is of interest overall?

- As President Chirac noted in Paris in March 2006, these initiatives *break through* a taboo (forcefully pressed by the US) which had prevented negotiation and action about international levies like the CTT for several years.
- The overall initiative came from a *productive combination of South-North* leadership (Presidents Lula and Chirac) joined by Chile, Spain, Germany, Algeria, and ultimately many more.
- The initiative on the air ticket levy broke through one of the main conceptual limitations on international levies, that is that they must be universally supported to be initiated. The principle of *an international tax, nationally administered*, moved past the barrier.
- The linkage *between new financing instruments and urgent health issues* is the essential ingredient for political support and implementation.
- The leadership to date has encouraged the participation of non-governmental and other stakeholders.
- The approach has been one of a menu of possibilities, with different countries taking the leadership on one or more choice items.

These innovative financing for development efforts by “like-minded” coalitions have benefited from the support of the UN Secretary-General, have sprung in part from the encouraging framework of the UN’s Financing for Development process and office, and have utilized the UN to brief, encourage and report on participation and progress. CSOs at the July Leading Group meeting in Brasilia argued that this should be the year of “pilots”. Once having moved the airlines levy and UNITAID into operation, in a relatively short time, governments were encouraged to maintain the momentum by initiatives to implement a pilot Currency Transactions Tax and conferences and initiatives on tax evasion, tax havens, transfer pricing and other “leaks” of vital resources from South to North.

The proposed review Conference of Financing for Development in 2008-2009 should highlight what conditions have made these initiatives possible and how others might be encouraged. It offers the opportunity to broaden the agenda to consider longer term issues of global economic governance and economic policies for equitable sustainable development. ■