UN Side Panel Event:
Innovative Financing for the Post 15 Agenda: The Implications of a Financial Transaction Tax

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Since its adoption in 2002, the Monterrey Consensus has served as the world's template for the financing of global developmental efforts. It was a historic and far reaching agreement, which addressed the complex issue of how to finance the sustainable growth and development objectives of the UN's Millennium Development Goals established two years earlier.

Several important subsequent meetings and agreements have since followed, including the 2008 meeting in Doha, Qatar, out of which arose The Doha Declaration on Financing and Development and, more recently, the Rio+20 summit in 2012, an international gathering organized to re-direct and renew global political commitment to the three dimensions of sustainable development: economic growth, social improvement and environmental protection.

These international meeting and declarations have solidified the international consensus on the importance on financing for development and have given impulse to many new approaches and initiatives.

Nevertheless the overall capacity for financing for development has not been either fully tackled or realized. Many private, public and NGO institutions have done research and come up with their own statistics that bring the international audience awareness to the potential.

For example:

- according to Tax Justice Network, between 190 and 280 billion dollars a year is lost because of tax evasion in offshore banking;

- Oxfam has stated that 50 billion dollars a year is lost in revenue for developing countries;

- OECD has pointed to 5-7 trillion dollars (which represents 6-8% of total global investment under management) that go to tax havens;

- Christian Aid has indicated that 250 billion dollars a year go in tax evasion and that tax evasion is responsible for 5.6 million children deaths from 2000 -2015.

As we approach 2015, the original target date the UN established for the accomplishment of the MDG's, the issue of financing those goals remains an ongoing challenge, albeit one in which great strides have been made. The worldwide financial crisis of 2008 only served to highlight the urgency for more predictable international public and private financing with the result that the search for new sources of development financing has intensified.

Countries around the world are already taking initial steps towards identifying and implementing a range of creative mechanisms for raising capital, which other nations, including many in Latin America, are closely monitoring and pursuing. For example:
- In Chile, a $2 levy on purchases of any international airline ticket generates enough revenue to cure 2 children of malaria every year;

- In the Indonesia Domestic Biogas Program (IDBP), a public-private collaboration with Nestlé resulted in a program supporting small dairy farmers to invest in biogas digesters as an affordable and sustainable source of cooking fuel using local resources. This multi-actor project has led to the construction of almost 9,000 biodigesters;

- "Solidarity Tax" programs between cities in France, and their counterparts in the developing world, have successfully raised over 30 billion Euros per year for improving the water and sanitation infrastructure in places such as Senegal and other nations in Sub-Saharan Africa;

- (Product) Red, involving the participation of major corporate sponsors, including The Gap, Starbucks, Apple, American Express and other global brands, has generated over 160 million dollars for the fight against Aids and tuberculosis;

- In partnership with JP Morgan and the World Bank, GAVI, the Global Alliance for Vaccinations and Immunizations, has vaccinated more than 288 million people in the past decade alone through the issuance of "vaccine bonds".

In a report issued in the second half of this year by world-renowned global management company, McKinsey & Company, four innovative and exciting ideas have been proposed as a means of raising new funds as society works to achieving the MDGs including: unlocking value from diaspora flows, stimulating private-capital flows, encouraging private voluntary contributions through matching funds, and tackling sector-specific inefficiencies. And, while each one of these methods is complex, involving enormous amounts of public and private cooperation, participation and involvement, they are all realistic, achievable and, most importantly, effective. Many of these new ideas have already being successfully implemented in India, Israel, Kenya, Pakistan, United Kingdom, United States, Canada and some other countries around the world.

Although these new mechanisms of mobilizing resources for development have found enthusiastic trailblazers in private, public and non-governmental sector, the potentially biggest, long ago identified mechanisms, like Official Development Assistance (ODA) and Financial Transaction Taxes (FTTA) have not progressed in their implementation.
The experts agree that the quickest, and most efficient way of raising capital is via Financial Transaction Taxes (FTT) on global financial transactions - including, as outlined by the then Dominican President Leonel Fernandez in his address to the UN General Assembly in 2009, a tax for development on capital deposited in tax havens, offshore banks, and international financial centers.

The former Dominican President, who is currently President of Global Foundation for Democracy and Development said;

"The placement of financial resources in tax heavens implies a yearly tax evasion of at least 250 billion dollars. As we have said, this is equivalent to the amount of funds estimated by the World Bank needed to complete

funding for achieving the Millennium Development Goals.

There are abundant resources around the world. The problem is that they are unequally and unjustly distributed. And that is due, among other reasons, the existence of a global financial architecture prone to lack of transparency, keeping secrets, money laundering, tax evasion and fraud."

A Financial Transaction Tax (or FTT), in general, is typically represented by a very small tax on trades of stocks, derivatives, currency and other financial instruments, and is extremely effective in raising large amounts of revenue for urgent needs while simultaneously discouraging the type of short-term financial speculation that has little social value but poses high risks to the economy. It is estimated that a FTT could generate up to 200 billion Euro's at the European level and almost 650 billion at the global level.

The concept of FTT's is not a new one but because of technology, their implementation has become vastly easier. Since almost all financial transactions are conducted electronically now, an easy-to-follow digital trail makes tax collection much easier than it would have been even a dozen years ago. No matter what form it takes, raising capital for the achievement of sustainable development goals has become a worldwide concern.

There have been many proposals for financial transaction tax implementation worldwide and it has been applied in a limited way and with different purposes in about 40 countries in 2011. Still, its use towards combating poverty and supporting development in the poorest countries of the world has not been put in place.
The G-20 Financial Transaction Tax (G20 FTT), proposed in 2008, hasn't come into existence although its many renowned supporters, like Bill Gates, George Soros, Joseph Stiglitz, among other 1,000 economists and more than 1,000 parliamentarians around the word have advocated its implementation and its use for development purposes and the achievement of Millennium Development Goals.

Bill Gates' report For the G20 summit in 2011 clearly stated that "even a small tax of 10 basis points on equities and 2 basis points on bonds could generate about $48 billion from G20 member states or $9 billion if only

adopted by larger European countries.” He also clarified, as did many other supporters of FTT for Development, that its implementation can be of limited geographical scope and still successful and extremely impactful.

At the U.N. General Assembly in 2012, French President Francois Hollande declared that France would commit at least 10 percent of the recently established 0.2 percent tax on transactions revenues to development, saying: “Let’s introduce this tax across the world and ensure that revenues go towards development.” Early this year, 11 European Union countries agreed to levy a coordinated tax on financial transactions, but its use for international development purposes is still uncertain.

Though The Monterrey Consensus may have formally begun the discussion, the search for even more creative, and ever more effective, ways of raising development capital is an ongoing one which will continue to take center stage in all developmental economic plans.

If we fail, all our good intentions will have been in vain.