

Second Plenary Meeting of the Leading Group on Solidarity Levies to Fund Development

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SUMMARY

From 1 September 2006 to 28 February 2007, Norway held the Presidency of the Leading Group on Solidarity Levies to Fund Development, established at the Paris Conference on Innovative Development Financing Mechanisms on 28 February and 1 March 2006. This Group marks a new stage in the Action against Hunger and Poverty launched by President Luiz Inácio Lula da Silva in September 2004. The task was to formulate specific actions aimed at collecting funds and channelling them into the promotion of economic and social development.

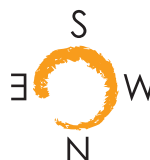
6 & 7 February 2007, Radisson Hotel, Oslo

It was in this context that Norway became the country hosting the Second Plenary Meeting of the Leading Group, staged on 6 and 7 February 2007. This international conference brought together **150 participants**, among whom were representatives from the governments of 23 Group member states plus a further 5 states as observers, close on a dozen representatives from think-tanks and academia, some fifteen international institutions, and representatives from over thirty NGOs.¹

The **official agenda** included an evaluation of the projects launched in previous meetings, and presenting or following up studies on new initiatives for finding additional finance for development.² As it turned out, a discussion topic that frequently arose in the debates was whether some of the approaches presented were truly innovative, as was the case with the Advanced Market Commitments for vaccines...

Further consultations were made during the **Plenary Meeting** regarding the issues of Solidarity Levies on Air Travel and the proposed Currency Transaction Development Levy (CTDL), a proposal that had already been examined in a previous seminar organised in Oslo on 5 December³, Stamp Out Poverty having presented the report *Taking the Next Step* on that subject at the request of the Norwegian government.⁴ The CTDL in a way amounts to a latter-day Tobin Tax in that while it is likewise a tax on the currency markets, its intention is not so much to change behaviour patterns in those markets as to collect funds for development. Thus the rate levied would be 200 times lower than the rate proposed by Tobin (who suggested 1%, as against the CTDL's 0.005%). Reports were also presented in the Plenary session on progress in the implementation of UNITAID, the International Finance Facility for Immunisation (IFFIm), and the Digital Solidarity Fund.⁵ The process associated with **UNITAID** is attracting particular attention on account of the innovative nature of its organisation, which takes in all agents with an interest in managing and investing the funds collected through the tax on air tickets. UNITAID's board includes representatives from 5 donor countries (Brazil, Chile, France, the UK and Norway), a representative from the continent of Africa and another from Asia, two members from civil society, and a WHO representative – the organisation now hosting UNITAID's Secretariat and Trust Fund.

Round-table discussions were also staged on the Advanced Market Commitments (AMC) for vaccines, migrants'



remittances, tax havens and capital flight (based on the report *Closing the Floodgates*, likewise commissioned by the Norwegian government),⁶ and also on new approaches to microfinance for development.⁷ **The debate on the AMCs was particularly heated**, featuring strong opposition, particularly from civil society. AMCs involve committing funds for subsidising the purchase, at a set price, of a vaccine that is not yet available, provided that the relevant vaccine is indeed developed and meets the requirements of developing countries. The aim in this is to restore appropriate incentives by providing assurances that there will be funds for buying the vaccines when they become available, and thus to stimulate private research and investment. This proposal came in for much criticism, partly on account of its very nature, since it amounts to falling back on a classic model of state subsidies for the private market without also providing incentives for collaboration in the research work and in the exploitation of the results, in contrast to the secrecy that surrounds intellectual property. The proposal on **migrants' remittances** also drew criticism since, as the Mexican government's representative had pointed out in the first debate open to the floor, such remittances do not of themselves constitute an innovative mechanism: they are payment for work done, and payment which is in many cases below the usual rates in the countries in which the migrants are working. Yet this does not mean, she stressed, that joint work by the states was not necessary – through a different forum – on establishing frameworks for facilitating the sending of those remittances, to prevent most of the money being siphoned off by the intermediaries.

This need for a political commitment was indeed stressed by the representative from **civil society** at the meeting, Morten Eriksen – the commitment needed to establish working groups for two fields in which progress can be made, since they potentially promise significant funds for development: the CTDL, and combating tax havens and capital flight. And that same sense of commitment should also be shown by more countries in the Leading Group, by implementing at long last the levy on air-travel tickets, he insisted.⁸

Lastly, it fell to **South Korea** to announce that it would be taking over the Presidency of the Leading Group as from 1 March 2007. Among the priorities listed were expanding the number of Group members, particularly from Asian countries; seeking a balance between new ideas on the one hand and progress in initiatives already under way on the other; and supporting partnerships between donors, recipients, and civil society. He also announced the intention to convene the next meeting for early July 2007 in Seoul, though according to recent information it might be postponed until September.

Afterwards, the vice-secretary general, Atle Leikvoll, in his role as chairman of the meeting, wound up with a summary of the two days' debates. He highlighted the good progress made in group initiatives such as UNITAID and IFFIm, as well as the multilateral cooperation achieved in the framework of the Leading Group. He also stressed that despite the great interest shown in progress in certain topics by some participants in the meeting, the Leading Group did not take consensus decisions: rather, its mission consisted in throwing its weight behind such issues in order to make them more prominent in the relevant political agendas. Nevertheless, the chairman noted two topics whose follow-up had aroused great interest: the **CTDL proposal**, and **combating tax havens and capital flight**.

Thus Leikvoll, taking up some of the proposals put forward during the meeting, addressed the Group's member countries on 15 February to put the following proposals to them:⁹

- forming a broadly-based task force on the CTDL; and
- employing a format similar to the preceding proposal or some different framework, to follow up the proposal for combating tax havens and capital flight as well.

However, the Norwegian government reported on 1 March that many countries seemed to need more time for their internal deliberations regarding their involvement in those working groups. In that same report, **the invitation was reiterated for countries interested in taking part in either task force (or in both) to get in contact with the previous presidency by mid-March:**

As for our follow-up letter (also included in the report) it seems that many countries need a little more time for internal deliberations. Despite the expiration of the Norwegian Presidency, we remain ready to receive your feedback once you have come to a conclusion. I would suggest, however, that all countries interested in participating in a "task force" on either the CTDL or combating tax havens & capital flight (or both), respond no later than by mid-March.

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REFERENCES:

- ¹ The **attendance list** is available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11764>.
- ² The **official agenda** is available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11634>.
- ³ The abstract on the previous **seminar on CTDL** is available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11345>.
- ⁴ The **Taking the Next Step** report is available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11626>.
- ⁵ These last two reports –**on IFFIm and the Digital Solidarity Fund**– are also available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11758> and <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11759>, respectively.
- ⁶ The **Closing the Floodgates** report is available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11607>.
- ⁷ The **abstracts** on these discussions and also the ones on the debates concerning the Solidarity Levies on Air Travel and the CTDL are all available at <http://www.innovativefinance-oslo.no/summaries.cfm>.
- ⁸ Morten Eriksen's address on behalf of **civil society** can be consulted at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11760>.
- ⁹ **Leikvoll's report** is available at <http://www.innovativefinance-oslo.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=11779>.

