

## 国際連帯税フォーラム

NGO FORUM FOR INTERNATIONAL SOLIDARITY LEVIES

### **A draft proposal for a high-level side event on the occasion of 2012 Annual Meetings of the International Monetary Fund and the World Bank (Final draft)**

International Symposium on Innovative Financing Mechanisms and Financial Transaction Tax: A dialogue between world leaders and the civil society on innovative financing for development



NGO FORUM FOR INTERNATIONAL SOLIDARITY LEVIES  
PARLIAMENTARY GROUP FOR INTERNATIONAL SOLIDARITY LEVIES  
LEADING GROUP ON INNOVATIVE FINANCING FOR DEVELOPMENT

## I. Title, Purpose, and Overview

### 1. Title

**International Symposium on Innovative Financing Mechanisms and  
Financial Transaction Tax:  
A dialogue between world leaders and the civil society on innovative  
financing for development**

### 2. Purpose

Since 2008, the global economic and financial crisis has had an undeniable impact on advanced economies' budgets, jeopardizing, among others, the funds available for development assistance. This symposium aims to highlight the role of innovative financing mechanisms, including a financial transaction tax ("FTT"), serving as a possible solution to the development funding gap that we are facing. The FTT has been regarded as one of the most promising options for securing complementary financial resources for sustainable development. This event is an opportunity to discuss the existing initiatives of innovative financing and highlight how they can make a positive contribution in addressing the challenges of financing for development. More specifically, the discussions initiated during this meeting should allow us to grasp the developments in the debates regarding the FTT in the world today as well as to invigorate the discussion of FTT and innovative financing mechanisms in Japan.

### 3. Overview

For this purpose, we will invite the representatives of France and Brazil – these two countries being the forerunners on the FTT – and representative of Japan, who is engaged in a policy-level discussion on global taxation, and ask each of them to make a brief statement. The representative of Benin has also been chosen to form the panel. The representative of Finland, who is currently chairing the Leading Group on innovative financing, is also expected to be amongst the panelists. We will also ask representatives from the Japanese civil society, labor unions, as well as the Japanese Parliamentary Group on International Solidarity Levies.

The symposium aims to adopt an **international appeal** that calls on the global as well as domestic implementation of innovative financing mechanisms, including an FTT for development.

## II. Background

Innovative financing for development, first mentioned during the Monterrey Conference in 2002, is based on two observations: firstly, that

official development assistance will not be enough to achieve internationally agreed goals in terms of reduction of poverty and preservation of global public goods; and secondly, that the sectors which have most benefited from globalization (air and maritime transport, finance, communications, etc.) can provide a contribution to financing for development and therefore balancing social inequalities.

Since the eruption of the financial crisis in 2008, the need for a stricter regulation to limit risks in the financial sector became more and more obvious. Besides, fiscal consolidation and budgetary adjustment prompted by the fiscal crisis have forced to reduce funding for development or ODA (Official Development Assistance). Last year, total funds allocated for ODA fell below the level of previous year for the first time in 14 years even if they are still at historically high levels.

That is why it is essential that the actors of the financial crisis, which is mainly responsible for the economic crisis the world is currently experiencing, fairly contribute to repair of the damage they caused.

Under these circumstances, innovative financing mechanisms (IFM) appear as one of the solutions to address the challenge of financing for development. IFM are innovative in three ways: 1) by their more stable and predictable collection mode; 2) they are complementary to ODA; 3) by the multilateral management of mobilized resources and the new partnerships they rely on (public and private actors and countries of different levels of development).

IFM is doing relatively well. With mechanisms such as international aviation tax ("IAT") and The International Finance Facility for Immunization (IFFIm) in place, a new EUR 6 billion worth of funding has been created since 2006 to help assist developing countries with immunization measures and health activities. An inter-governmental organization that takes the lead on these endeavors involving IFM is the 63-nation Leading Group on Innovative Financing for Development ("LG"), currently chaired by Finland, in which Japan is also a member. Several categories of IFM form a "menu of options" promoted by the Leading Group: taxes on globalized activities (such as the FTT and the tax on airline tickets), market mechanisms (such as mechanisms based on carbon emissions), pull mechanisms (such as the Advanced Market Commitments) and citizen contributions.

One of those options is the FTT that appears as one of the best options to better regulate financial markets and secure a fair and moral contribution from the financial sector to the costs of the financial crisis. Revenues from the FTT could help supplement the national budget, provide additional funds for tackling global challenges such as poverty, and address the need to control speculative short-term transfer of funds as regulatory measures for the financial sector. While the French government implemented an

FTT on August 1<sup>st</sup> 2012, approximately ten members of the European Union are discussing and preparing for an implementation beginning next year through an enhanced cooperation. Brazil resumed its implementation of the FTT in 2009, which has resulted in a large increase in tax revenues as well as a success in regulating the financial market.<sup>1</sup>

Today, there is an increasing expectation for a shift in the paradigms of economic growth to a more human-like capitalism. At the same time expectations are rising for the IFM, including the FTT, to serve as financing mechanisms for funding development in the developing countries.

As for Japan, in February 2008, the Parliamentary Group for International Solidarity Levies (PGISL), an all-party parliamentary group, was established and the government's Tax Commission formerly included the consideration of ISL into its deliberation agenda. However, the government is still in the 'consideration stage.' On the other hand, consumption tax is in the mainstream due to the worsening budget deficit which was translated into 15-year-low ODA expenditure. It is time that we prepare for the next stage by embracing the concept of FTT as another option for discussion. We can expect its contribution in the area of financing for sustainable development through IFM, or for stabilizing currencies from the regulatory standpoint, or for helping with the national budget deficits.

We will aim for national as well as global shift in the current paradigms by embracing the global wave for IFM, including the FTT.

### **III. Time and Venue**

Date: Thu, October 11, 2012

Time: 2 pm – 6 pm

Venue: International Conference Hall, Aoyama Gakuin University, Tokyo

### **IV. Host(s)/Sponsors**

Host: NGO Forum on International Solidarity Levies (FISL), GCAP Japan  
Co-host: Parliamentary Group for International Solidarity Levies (PGISL),  
Leading Group on Innovative Financing for Development (LDG)

---

<sup>1</sup> *The tax revenue of the Brazilian government amounted to 1.33 trillion yen (1.9 percent of its total federal budget revenue).*