

**Intervention by Ms Heidi Hautala, Minister for International Development (FINLAND)
– 11th Plenary Session of the Leading Group on innovative financing for development,
February, 6th 2013, Helsinki.**

Your Excellencies Ministers, Directors, Ambassadors, ladies and gentleman, dear friends and colleagues,

It is great pleasure for me as the out-going President of the Leading Group on Innovative Financing for Development to host you here in the 11th plenary of the Group. We have had a very busy and eventful six months presidency and I am happy that so many have responded to our call to join us here in Helsinki today despite freezing winter temperatures.

The discussion on innovation financing is not new in Finland. We became the member of the Leading Group already in 2007 and have since then explored the concept of broad development finance. Yet, the new Development Policy Programme adopted in 2012 brought the innovative financing more firmly on our agenda. This in turn gave us a motivation to accept the invitation to become the President of the Leading Group for Innovative Financing for Development from September 1st onwards

When we assumed the Presidency, we set ourselves the following priorities: 1) to clarify and seek common understanding of the concept of ‘innovative financing mechanisms’ and its relationship to official development assistance (ODA) as part of the financing for development - agenda and 2) to link innovative financing to efficient allocation of funds as well as 3) to enhance development results particularly on the country-level in realization of Busan Declaration and in policy discussion on post-2015 framework

In line with our Government programme and Development Policy and their priorities we also wanted re-enforce the global action against illicit financial flows and tax havens more prominently to the Leading Group’s agenda. We have on this topic we have collaborated closely with Finnish Ministry of Finance and National Bank of Finland, who shared the responsibility of Finnish presidency.

Furthermore during our tenure as LG President we have wanted to emphasize the Finnish and other countries' schemes of allocating funds from the EU Emissions Trading System (ETS) to development starting from 2013. We have also started to explore the potential the air ticket levy could offer to Finland based on the experiences gathered so far.

To eradicate poverty and respond to worldwide development challenges, domestic resource mobilization which is the primary means to finance development, must be combined with official development assistance (ODA). Finland strongly maintains that developed countries must honour their commitments concerning the level of ODA and the principles of the Aid Effectiveness agenda. Finland is fully committed to 0,7%-target. The Government aims to ensure a steady trend in appropriations that would enable Finland to reach the international commitment of 0.7 per cent of gross national income. In the EU, Finland is committed to achieving this target by 2015

In addition to ODA, we recognize that innovation is needed to seek new resources as well as explore more efficient ways to allocate them for development. A renewed and more systematic attempt to put private capital flows, investments and innovative mechanisms to

work in the service in developing countries is elementary. It requires strong ownership and new types of partnerships from all parties involved.

During our tenure we have re-activated the discussion on innovative financing in Finland for example by organizing national seminar on 'Broad Development Financing – the role of innovative financing?' which gathered over 70 participants from public service, civil society and private sector.

To enrich the national discussion, we utilized the expertise on European Center for Development Policy Management ECDPM, which has been recently commissioned to study other development-related financial contributions to ODA and to examine the feasibility and potential of other financial flows to development.

We explored the concept of the innovative mechanisms in three dimensions: 1) how can their collection mode be more stable and predictable; 2) whether innovative funds are additional or complementary to ODA as well as 3) multilateral management and new partnerships the innovative finance relies on. We learnt a great deal on how the broad development financing can be conceptualized and its potential role reported. In the first session today, we will explore this discussion further.

The civil society in Finland has also contributed actively on the discussion by assessing the profitability, effectiveness, fairness and transparency of different innovative mechanism to finance global action against climate change. We will hear more about their study today.

During Finnish presidency the innovative financing for development was also first time discussed in the auspices on World Bank Annual meeting in September 2012. Together with active Japanese partners 'Forum for International Solidarity Levies' and the Japanese Parliament a side-event was held on Innovative Financing Mechanisms and Financial Transaction Tax.

Also in the UN, the debate on innovative finance continued actively during our tenure. In fact, the role of innovative financing and Leading Group was first time mentioned in the Resolution for Financing for Development. The resolution noted the ongoing work on innovative sources of financing for development and the Leading Group's role.

The inclusive and participative consultative process on a post-2015 development agenda will provide a unique opportunity for the Leading Group on Innovative Financing for Development to explore the role and potential of innovative financing in financing the future sustainable development agenda.

To this effect, Finland together with the UNDP held a High Level Meeting in New York in December 2012 that discussed the role and linkage of innovative financing to broader financing for development. The event was well attended and embarked a lively discussion on the need for broad and stable development financing.

During our tenure the report on innovative financing in food security has also been finalized. Building on the experts' group that was established during the previous presidency, the final report examines the rationale and need for innovative financing for agriculture, food security and nutrition. It also includes a critical review of possible mechanisms and initial proposals for the development and implementation of such mechanisms.

Some Leading Group member countries have already introduced a financial transaction tax and fund development efforts from its revenue. There is a proposal on the table in Europe, too. I hope that the possible introduction of a financial transaction tax in Europe could produce revenue to be used for addressing development efforts and climate change challenges.

Public resources in developing countries must be mobilised through effective and just taxation. Curbing the illegal capital flight by joint global efforts and rendering support to better taxation policies and administration as well as efficient macro-economic planning in developing countries helps to finance poverty reduction strategies and expand public services.

This call for global action that reforms the global financial system and architecture and also broadens and strengthens the participation of poorest countries in international economic decision-making and norm-setting.

We in Europe can do a lot by for example requiring that multinational companies respect international accountability and transparency standards and practice good corporate governance by adopting measures in the EU such as Transparency and Accounting Directive

Your excellencies, ladies and gentlemen,

Leading Group for Innovative Financing for Development is a good example of a functional inclusive forum to look for common financing solutions for development and poverty alleviation.

Finland also highly values the fact that Leading Group has strong representation from the Global South that takes equal part in its work

Many developing countries and emerging economies (Mali, Senegal, Mauritius, Indonesia) have already effectively adopted innovative mechanisms and allocated the profits to for example health services and for purchasing drugs to fight major pandemic diseases through UNITAID

The UN leads a process to produce a shared vision for ‘The World We Want’ beyond 2015. An inclusive dialogue is of primary importance and must be attended with global urgency.

Leading Group as its wide and informal representation can act as a venue to explore the landscape of broad development financing – including the innovative mechanism – and the potential they can have for maximising the future development impact.

I wish you all very interesting and lively debate during this plenary today. Thank you!