



10th Plenary Session of the Leading Group for Innovative Financing for Development

Madrid, 27 February 2012



Summary

The 10th Plenary Session of the Leading Group was opened by the Spanish Secretary-General for Cooperation, **Mr Gonzalo Robles**. The majority of member countries were represented, as were international organizations, non-governmental organizations and foundations involved with the Group's work. The Permanent Secretariat of the Leading Group was represented by **Mr Jean-Baptiste Mattéi**, French Director-General for Global Affairs, Partnerships and Development.

The first session was an opportunity to highlight the advocacy role of the Leading Group in multilateral forums. Representatives of civil society (Oxfam), Ministers from several member countries (**Cambodia, Djibouti, Gabon, Guinea, Mali, Nigeria, Central African Republic**), and international organizations, including the Secretary-General of the United Nations (**UNSG**), the United Nations Development Programme (**UNDP**), United Nations Educational, Scientific and Cultural Organization (**UNESCO**), the Food and Agriculture Organization of the United Nations (**FAO**), and the World Health Organization (**WHO**), took part in these discussions.

The afternoon session was dedicated to themed workshops: food security, education, health, illicit flows and tax avoidance, tax on financial transactions and migrant remittances. It discussed the state of progress made by the different Leading Group taskforces.

Lastly, the closing session, under the authority of the Presidency and the Permanent Secretariat of the Leading Group, came to agreement on a common agenda and courses of action. The Madrid Declaration (Chair Summary) was also adopted at the end of the session.

Main achievements of the 10th Plenary Session in Madrid:

- Presentation of a review of existing innovative financing mechanisms (open to Group member amendments);
- Organization in partnership with the United Nations of a Leading Group side event at the United Nations Conference on Sustainable Development (Rio+20);
- African conference on strategies to mobilize innovative financing;
- Will to strengthen ties between the work of the Leading Group and that of the United Nations;
- Joining of UNDP and the Commonwealth Secretariat;
- Adoption of a final declaration (Chair Summary); new Presidency of the Group to come (interim leadership from the Permanent Secretariat).



Opening

The 10th Plenary Session of the Leading Group was opened by the Spanish Presidency, represented by the **Spanish Secretary-General for Cooperation, Mr Gonzalo Robles**. He reaffirmed Spain's commitment to innovative financing for development (IFD) and underscored the progress that has been made since the Monterrey Summit in 2002. Recalling the joint role that the public and private roles must play in this matter, he finished by highlighting the importance of the different taskforces and ensuring the Group of Spain's support.



Gonzalo Robles and M. Jaime Atienza

The next speaker was **Mr Jaime Atienza**, representing the **NGO Intermón Oxfam**, who recalled the importance of assurances of effectiveness in seeking financing for development. He also emphasized the essential role of the private sector and emerging countries in that respect. Lastly, he hailed the Group's leading role in demonstrating the technical feasibility of a financial transactions tax and called for the collective implementation of such a tax in the name of civil society.

Plenary Session: **Leading Group advocacy in international forums**

This sequence was an opportunity for several countries, international organizations and representatives of civil society to speak on the subject on the advocacy role of the Leading Group in international forums. The discussions were chaired by the **UN Special Adviser on Innovative Financing for Development, Mr Philippe Douste-Blazy**.

Mr Douste-Blazy opened the session by reading a message from the United Nations Secretary-General (UNSG), **Mr Ban Ki-moon** to the 10th Plenary Session, which highlighted in particular *“the need to scale up existing innovative mechanisms and explore new initiatives”*. He also recalled the Leading Group's role in order *“to identify the mechanisms with greatest benefit for development, and move quickly towards implementation”*.

The Guinean Minister for Cooperation, **Mr Koutoub Moustapha Sano**, then expressed his determination to mobilize African States around a conference dedicated to innovative financing for development in Conakry in 2012.

Mr Alex Trepelkov, Director of the United Nations Department of Economic and Social Affairs, welcomed the results achieved by IFD in the health sector and recalled the importance of working to scale-up financing to cover other development areas. He also tackled the issue of the effectiveness of the projects financed through innovative financing, noting that more rigorous follow-up (notably through impact assessments) would make it possible to strengthen advocacy in favour of IFD.

Several member States also spoke through the voices of their Ministers. **Mr Tayi Ngy**, Cambodian Secretary of State for Finance, thus expressed his country's support for IFD and in particular for mechanisms to tax air and maritime travel. **Ms Dorothée Aimée Malenzapa**, Minister for Cooperation of the Central African Republic, and **Mr Shamsuddeen Usman**, Nigerian Minister of National Planning, welcomed the initiative of **Mr Koutoub Moustapha Sano** in support of an African conference on IFD. Underlining the essential role of innovative financing and the advantage they represent for more sustainable and predictable financing of their country's development, the Ministers did, however, lamented the difficult security conditions which obstruct the economic and social development of their countries.

The other national delegations (**Algeria, Belgium, Burundi, Cyprus, Djibouti, Gabon, Italy, Japan, Jordan, Morocco, Nigeria, Norway**) also participated in the discussions, as did numerous international organizations, including **UNDP, FAO, WHO, UNESCO**, the International Organization of la Francophonie (**OIF**), and the World Tourism Organization (**WTO**). Representatives of civil society too were present, through NGOs (**Ubuntu and Intermón Oxfam**) and the **Bill and Melinda Gates Foundation**. Ubuntu, represented by its Director, **Mr Manuel Manonelles**, proved particularly committed to closer ties between the Leading Group and the United Nations, and underlined the role civil society could play in supporting better integration between the UN agenda and that of the Leading Group.



Themed Workshops

The afternoon was dedicated to themed workshops related to the Leading Group taskforces, under the supervision of country-international organization pairs. These themed workshops allowed workgroups to present their **progress in different areas through the recommendations of expert reports**. The participants highlighted the usefulness of **this expert work to demonstrate the feasibility** of a menu of **innovative financing mechanisms for development**, based on the activities which have most benefited from globalization (finance, tourism, transport, communication). These reports, in particular those dedicated to health and education, should be exploited as much as possible to for the Leading Group's diplomatic action to have tangible effect.

The role of private philanthropy, whose usefulness in development assistance is widely agreed, was highlighted on this occasion, with a new report proposed by the Group. The Leading Group thus confirmed its determination to **strengthen its ties to the private sector** in order to mobilize more resources for the poorest countries.

More generally, the themed workshops emphasized the **progress made in implementing IFD by the Group's members**, both for the **reduction of poverty** and for the preservation of **global public goods** to supplement ODA.

Workshop 1: Basic education (CAMBODIA/UNESCO)

Mr Tayi Ngy, Cambodian Secretary of State for Finance, began by welcoming the conclusions of the latest taskforce expert report, "Innovative financing for Education: Moving Forward", which is available on the Leading Group website (leadinggroup.org). He also pledged to study the proposed mechanisms with attention. Lastly, he declared that Cambodia was working towards the goal of allocating 20% of its budget to education, and invited its partner countries to follow suit.

UNESCO, represented by **Mr Olav Seim**, Director for the Education for All (EFA) International Coordination Team, presented the conclusions of the Education taskforce's second report. He also underlined that even if new progress is made in terms of education, the sector must not be forgotten in development financing policies, as progress remains unequal depending on regions.

Ms Ilona Genevois and **Mr Sylla**, representatives of the **International Institute for Educational Planning (IIEP)**, emphasized the advantages of public-private partnerships in the education sector, presenting the progress of the UNESCO-IIPE, Microsoft and Orange joint initiative for Education Management Information Systems (EMIS). Several countries expressed interest in this initiative, and the pilot project launched in Côte d'Ivoire could present its results in 2012.

Workshop 2: Food security (MALI/FAO)

Under the authority of the **Malian Presidency of the task force**, represented by **Mr Younoussa Traoré**, from the Multilateral Cooperation Directorate of the Malian Ministry of Foreign Affairs, the discussions dedicated to food security were marked by the contribution of **Mr Maurizio Malogioglio**, special assistant at the **Food and Agriculture Organization of the United Nations (FAO)**, who underscored the importance of developing new sources of financing for food security and rural development (idea of a tax on agricultural market transactions). The principle of creating public-private partnerships was also raised.

Ms Chitra Deshpande, economist at the **International Fund for Agricultural Development (IFAD)**, recalled that it will be necessary to increase world food production 70% by 2050 in order to feed 9 billion human beings. She emphasized the need to facilitate farmers' access to credit in order to promote an increase in their productivity. Migrant remittances, which could be partially invested in agricultural cooperatives (also see dedicated workshop) were also mentioned on this occasion.

Workshop 3: Health (SPAIN, WHO, UNITAID, GAVI Alliance)

This sequence recalled the progress made in terms of innovative financing in the health field, taking support from the summary of the conclusions of the latest Health taskforce report (available at www.leadinggroup.org). The **World Health Organization (OMS)** delegate, economist **Mark Goodchild**, also proposed a "Solidarity Contribution on Tobacco" (SCT), which would involve taxing the sale of cigarettes and which would be additional to the taxes which are already collected at national level. A tax of \$0.1 per packet would, according to his estimates, bring in 6.2 billion dollars per year. **Mr Douste-Blazy, Chair of the UNITAID Board**, then mentioned the creation of a UNITAID Medicines Patent Pool, through which pharmaceutical companies grant licences to generic producers, allowing them to produce medicines which are sold at a lower cost.

The representative of **GAVI Alliance** (Global Alliance for Vaccines and Immunization), **Mr Paolo Sison**, underlined the potential of public-private partnerships (including the GAVI Matching Fund) in the health field, and affirmed that they could allow for long-term commitments for stable vaccination funding. During the last Davos Forum, 25 major private enterprises pledged to GAVI Alliance to participate in innovative financing mechanisms. Mr Sison considers that other options remain to be explored to best tap private sector expertise to support development. The cooperation of mobile telephone operators could in particular contribute to the implementation of more reliable vaccine stock control through sending messages to health centres.

Several countries, including the **Central African Republic, Japan** and **Cyprus**, recalled the need to establish stable, long-term commitments in the health field and underscored the importance of synergies between the public and private sectors.



Workshop 4: Illicit financial flows and tax avoidance (NORWAY/GUINEA)

Following up on the work initiated by the Group under the Norwegian Presidency in combating illicit financial flows, **Norway**, represented by **Mr Hakon Gulbrandsen**, special adviser and former Secretary of State for Cooperation at the Norwegian Ministry of Foreign Affairs, presented a progress report on the taskforce's work. Mr. Gulbrandsen stressed the importance of the amounts represented by illicit flows, which rose to 1.300 billion \$ in 2009, along with their close links with criminal traffics. The necessity of encouraging transparency is essential in this context, for example through the complete publication by multinational firms of data related to their activities or a comprehensive knowledge of their partners. The task force thus called on to adopt an international convention on transparency.

Mr Koutoub Moustapha Sano, Guinean Minister for Cooperation, then welcomed the work of the Norwegian-led taskforce, which guaranteed international visibility for the theme. This work makes it possible, amongst other things, to push forward the draft Declaration on transparency of financial governance and fighting illegal capital flows, raised during the June 2010 Africa-France Summit.

Workshop 5: Financial Transactions Tax (FTT) (FRANCE/STAMP OUT POVERTY)

France, represented by **Mr Jean-Baptiste Mattéi**, Director-General of Global Affairs, Partnerships and Development at the Ministry of Foreign and European Affairs, recalled the progress made since the creation of a specific taskforce in 2009: expert report, draft international treaty (coordinated by **Mr Lieven Denys** and allowing the countries who wished to implement such a tax to allocate part of the product to development collectively), Leading Group declaration in favour of a FTT supported by several countries, mention of a menu of options including the FTT in the Cannes G20 final Declaration. He highlighted the effective implementation of such a tax in France from August 2012. **Mr David Hillman**, Coordinator of **Stamp Out Poverty**, emphasized European measures and the driving role of the Leading Group in the last three years, whilst expressing concern at the risk of winning the battle and losing the war (i.e. winning on the instrument but seeing the product diverted away from development challenges). He also raised the idea, supported by several delegations, of a Conference bringing together all the countries already having implemented a FTT today, in order to decide whether part of the product could be allocated to development.

Workshop 6: Migrant remittances (ITALY/IFAD)

Italy, represented by **Mr Basilio Toth** from the General Directorate for Global Affairs at the Ministry of Foreign Affairs, highlighted the importance of the technical dimension of the Leading Group's work. He invited the members to make greater use of expert reports to assess the possibilities to implement mechanisms. He firmly recalled the decisiveness of 2012 to make progress in the wake of the final Declaration of the G20, the 77th paragraph of

which, dedicated to migrant remittances, commits Member States to work to reduce the average cost of transferring remittances from 10% to 5% by 2014. Mr Toth also raised the work of the World Bank Working Group for migrant remittances, and highlighted the importance of the general principles established by the World Bank and adopted by the G8 and the G20. The principle of transparency was underlined as being essential to enhance consumer protection.

Mr Robert Meins, a specialist in migrant remittances at **IFAD**, emphasized the work of the Financing facility for remittances, which raised 22 million dollars in order to increase economic opportunity in rural areas thanks to improved migrant remittances services. Mr Meins underscored the importance of reducing the cost of remittances to ensure improved living conditions for migrants and encourage them to use official channels. In response to a speak by **Mr Miguel Angel Gil**, from the **Spanish Ministry for Employment and Social Security**, which underlined the lack of data on the impact of migrant remittances on development in their country of origin, Mr Meins affirmed that these financial remittances very much seemed to boost the consumption of recipients and this contributed to economic growth in the countries concerned. The representative of the Spanish Ministry for Employment and Social Security wished to draw attention of those present to the fact that migrant remittances do not concern the poorest social groups as very few migrants are from this demographic group. The discussions on the potential of migrant remittances for the development of countries of origin must therefore take into account the risk of seeing an increased gap between the populations receiving financial assistance from emigrants and the poorest people, for whom emigration is not an option.

Workshop 7: The fight against climate change (ECUADOR/UNDP)

Ecuador, represented by **Ms Analiz Vergara** from the embassy in Madrid, presented the Yasuni ITT initiative, a project for the non-exploitation of an oil reserve in Amazonia, estimated at 850 barrels, compensated for by an international financial contribution of 3.6 billion dollars over 15 years. The funds raised allow Ecuador to fund projects linked to challenges including greenhouse gas emissions reduction, health, education and sustainable tourism. **UNDP**, represented by **Ms Gail Hurley**, recalled the significance of the sustainable dimension of development and of its three complementary pillars: social, economic and environmental aspects. UNDP will finance the inclusion of the issue of development financing, in particular innovative financing, in the agenda of the June 2012 United Nations Conference on Sustainable Development in Rio. This summit should allow the Leading Group (i) to raise the awareness of its partners to the potential of IFD to mobilize resources for sustainable development and (ii) to strengthen ties between the Leading Group and the United Nations. UNDP took advantage of this Plenary Session to present its discussion paper on innovative financing, “Innovative Financing for Development: A New Model for Development Finance?”



Closing

The Permanent Secretariat, in the person of **Mr Jean-Baptiste Mattéi (France)**, concluded by congratulating Spain on its remarkable Presidency and the progress made during its tenure. He went on to recall the inseparable three missions of the Leading Group: advocacy, expertise and diplomatic engagement.

He invited all Group members to involve themselves further in these three missions, particularly in contributing to the regular review of existing innovative financing mechanisms, presented during this session. Recalling the new members of the Group (UNDP and the Commonwealth Secretariat) and the different events organized since the previous Plenary Session, he underscored the emergence of the debate at the G20 and the personal commitment of the UN Secretary General to the subject. Highlighting the day's discussions, he concluded by laying out several opportunities for action which are the object of consensus within the Group:

- 1) the importance of supporting the mobilization of Africa and its ownership of the matter of development financing; the African conference on innovative financing proposed by Guinea could be a decisive step in this direction;
- 2) exploitation of new expert courses of action, based in particular on the conclusions of the report on private philanthropy, which emphasize the potential of citizen contributions;
- 3) increasing the Leading Group's representation in international forums and the need to strengthen ties with the United Nations;
- 4) increasing the Group's activities in the financing of the fight against climate change, and the possibility of a side event, organized with the United Nations, during the Rio+20 Conference.

Following reading and adoption of the Madrid Declaration (Chair Summary), the choice of the next Presidency of the Group was postponed for several weeks.

Commitments and recommendations

- 1) Adoption, trial or exploration by each member country of an innovative financing mechanism within a year;
- 2) Regular review of innovative financing mechanisms implemented by member countries;
- 3) Promotion of expert reports prepared by the Leading Group;
- 4) Invitation to those countries having implemented a tax on financial transactions to allocate part of the product to international solidarity and seriously consider facilitating a Conference to promote this;
- 5) Exploration of ways for enhancing links between the work of the Leading Group and that of the United Nations;
- 6) It was decided that the Leading Group, in association with the UN, would organize a side event during the Rio+20 Conference. The Group welcomed the organization of an “African Conference on Innovative Financing”, entrusted to Guinea.

