



Declaration of Santiago Seventh Plenary Meeting of the Leading Group on Innovative Financing for Development

January 28-29, 2010

INTRODUCTION

1. In 2004, determined to achieve the internationally agreed Millennium Development Goals and the Monterrey Consensus, the representatives of a group of countries of the North and South launched a proposal addressing development and solidarity with the objective of identifying innovative sources of financing to foster economic development and combat hunger and poverty. Now, in 2010, this purpose is embodied in a broad group of countries and international institutions and NGOs which seek, unhesitatingly and effectively, to advance toward the globalization of solidarity and shared development, strengthening effectiveness and best practices.

I. Innovative financing in times of crisis

2. In the midst of the current globalization process, we confront extraordinary challenges resulting from various crises of different scope and depth, which are demanding effective answers from the international community. The food crisis of 2007 was followed by the emergence in 2008 of the worst financial crisis the world had experienced since 1929, in addition to the one stemming from ongoing climate change. This complex situation, which we must address with due commitment, political will and pragmatism, offers us an opportunity to achieve new definitions giving a human face to globalization and allowing it to promote shared and sustainable development. This is the purpose that inspires the work and actions of our group of countries and institutions in- pro of innovative financing for development.

3. Last year we saw how the International Community promoted mass mobilizations to reactivate the international economy, foster economic development and financial stability.

4. The world seems to be starting to succeed in its efforts to come out of this crisis. Nevertheless, negative impacts on the social dimension remains persistent. The outstanding efforts made throughout 2009 have not been sufficient and should not leave us feeling complacent. A truly satisfactory result should be the emergence of a new world, based on a more equitable and all-embracing development scheme that reaches all the people in our planet.

5. In this context, the efforts of the International Community to achieve the Millennium Development Goals should be redoubled. Thus, the contributions made by

innovative financing mechanisms acquire special importance. The MDG Review Summit to be held in September of 2010 will provide an opportunity to reinforce the crucial contribution made by innovative financing mechanisms in this process, giving particular consideration to the special needs of Africa.

II. The Presidency of Chile

6. The Chilean Presidency of the Leading Group on Innovative Financing for Development, in line with the inspiration of this initiative, has tried to foster cooperation and joint work so that our deliberations, debates and ideas may contribute to setting the bases for future actions of the Group. We will try to go forward in 2010 towards redesigning the regulations governing financial relationships among the various players, by means of the creation of a more equitable international financial architecture and to promote a more effective and substantive participation by developing countries. We will also work towards the implementation of mechanisms that would allow greater transparency in international financial transactions.

7. Since the last plenary meeting and as a result of the global crisis, the debate on the regulation of financial markets has gathered momentum. An opportunity to transform the world economic order, so that it is more just and equitable, has begun to emerge. Nothing can be more appropriate than to ask those sectors that had benefited the most from globalization process, as in the case of the financial sector, which became wealthier. In this regard, our Group has once again undertaken a position of leadership and has already taken actions. For example, a Task Force and a Group of Experts have been created to prepare a report on the matter. We have been advised today on the progress made in the analysis of the issues that concern us. We value the work they have accomplished up to now and we convey our desire that we will succeed in moving ahead towards creating a world without poverty.

8. We have also had the opportunity to learn about the progress made in the realm of integrity and financial transparency, which are key elements for the achievement of greater economic well-being through the generation of additional resources aimed at developing countries so that the MDGs can be met. In this framework, we would like to highlight the new law that has been passed in Chile regarding the fight against tax avoidance and bank secrecy.

9. At the recent Copenhagen Conference on Climate Change some developed countries agreed financial commitments to combat global warming. These funds could come from innovative financing sources on which our Group has been working for a long time. Therefore, the Leading Group has new challenges in the efforts to find and implement new financing sources, such as various taxes on air tickets and fuel; a tax on financial transactions; market based instruments; and the issue of special drawing rights.

10. With this readiness and political will, the Chilean Presidency proposed a broad, all-encompassing agenda for the plenary meeting in Santiago. We are grateful for the active participation of many members in this plenary meeting and our wish is that their collective efforts will allow the Leading Group to maintain its leadership in the search and implementation of the new sources of financing for development that the world currently demands. In addition, we would like to acknowledge and thank GAVI for becoming a new member in our Group. We also acknowledge the participation in this meeting of Costa Rica and the Republic of Argentina as observers.

III Recommendations

1. To continue the work carried out by the Group and by each of its members in order to further the adoption and expansion of innovative financing mechanisms, such as the air-ticket levy and the tax on international financial transactions; market mechanisms, front-loaded financing for immunization programs; the impact of remittances on the market; and voluntary solidarity contributions.
2. To highlight and support the work being done by the Task Force regarding the feasibility of implementing an international financial transaction tax. Their conclusions will be submitted before the eighth plenary session of the Leading Group on Innovative Financing for Development in the course of 2010.
3. To welcome the action of the Group to promote international cooperation in tax matters and the work performed by its Task Force towards achieving financial integrity and tax information transparency, and to ask the Task Force to include in its future work to consider the cooperation with organizations and entities at regional level in Africa, Latin America, Asia, the Middle East, Europe, and North America. Also, we welcome the work done by the International Tax Compact. All country members of the Leading Group were invited to consider promoting and achieving greater transparency in the Global Financial System and, in that context, decided to address this issue in the next Leading Group meeting.
4. To continue working towards achieving a significant and quantified reduction of the cost of remittances and to acknowledge their contribution to development, including fostering the creation of microcredit institutions in recipient countries. Also, to recognize the work carried out by the Group toward furthering discussions on other innovating financing mechanisms identified in the menu of options of the Technical Report on Action against Poverty and Hunger, such as the CO2 emission credits, a matter that should be addressed in the appropriate Fora.
5. To underscore the importance of continuing to perfect and make full use of risk mitigation instruments, as well as of economic policies that include counter-cyclical incentives and mechanisms. In this context, it welcomes the decision by the G20 and the IMF to develop initiatives, such as the allocation of Special Drawing Rights, to finance counter-cyclical policies, as well as the efforts to combat tax avoidance through tax havens, actions which have been promoted by and enjoy the full support of our Group since its beginnings.
6. Given the increased urgency to attain health MDG's, to acknowledge and expand the significant results to date generated by UNITAID, IFFIM's, AMC's, the contribution made by the High Level Task Force on Innovative Financing for Health Systems in the discussions of the Leading Group, as well as the alternative to channel new innovative financing resources toward the educational sector and mother-child nutrition. We applaud the significant progress made towards the implementation of voluntary contributions through the Millenium Foundation for Health.
7. To reiterate that the Group is committed to continuing its contributions toward the achievement of the Millenium Development Goals, in the context of the commitments of the Monterrey Consensus and the Doha Conference regarding development aid, particularly concerning innovative financing, will lend all the support that is required to ensure the success of the UN MDG's Review Summit to be held in New York in September of 2010.

In order to continue with the noteworthy work carried out by our Group, we warmly welcome Japan as the new President of the Group.