

Innovating in justice, innovating in finance: time for a financial and currency transaction tax

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In the table, from right to left: Julien Meimon, José Maria Fernández López de Turiso, Manuel Manonelles, James Paul and Kevin Dance. Photo by the Global Policy Forum.

The **UBUNTU Forum** organized in New York, in the framework of the 66th High Level Segment of the UN General Assembly, and previous to the Side Event that the Permanent Mission of Spain organized on “Innovative Finance for Development: Adding up all efforts towards development”, a side event on “**Innovating in Justice, Innovating in Finance: time for a financial and currency transaction tax**”. The main purpose of the meeting was to provide a platform for an informal interactive discussion. It was organized in collaboration with the **Global Policy Forum** (GPF), the **United Nation Non-Governmental Liaison Service** (UN-NGLS), the **Center of Concern** and **Stamp out Poverty**.

The event was moderated by **Manuel Manonelles**, director of the Ubuntu Forum, and counted on the intervention of **José Maria Fernández López de Turiso**, Director-General of Planning and Evaluation of Development Policies, Ministry of Foreign Affairs of Spain; **Julien Meimon**, from the Secretariat of the Leading Group on Innovative Financing for Development; **James Paul**, Executive Director of the Global Policy Forum; **William Pace** Executive Director of the World Federalist Movement; **Kevin Dance**, Chair of the NGO committee on Financing for Development; finally, **Poul Nyrup Rasussen**, Chair of the Global Progressive Forum and former Minister of Denmark who was also supposed to participate in the event could not travel to NYC and send a written speech that was read during the event.

The panel was organized to provide a platform for an informal interactive discussion between governments representatives and civil society, within the context of the broader debate of the proposals of innovative financing of development; with a special focus on the need of promoting Financial and Currency Transaction Taxes (FTT & CTT respectively) the way to allocate the necessary funds in order to advance in the achievement of the Millennium Development Goals (MDGs) by 2015.



Meimon speaking. On his left Bill Pace, on his right José María Fernández López de Turiso.
Photo by the Global Policy Forum

The issues that were highlighted on the debate were the implementation of the tax as well as the concern of how it would be managed at a global level. Regarding the existing options of financial taxes, the CTT is receiving much attention from the civil society, as it has been identified as the mechanism that would raise the resources needed to attain the MDGs in the

most effective way.

Mr. José María Fernández López de Turiso started his intervention by stating that today's development assistance has reached a historical high of \$130 billion. However this is not enough to finance neither the MDGs nor the needs derived from the climate change agenda.

During presidency of the Leading Group, Spain would like to concentrate on the FTT. The question is no longer only in the hand of NGOs as it has been taken on by some governments. The FTT issue is no longer only a dream of civil society but **is in the agenda of member states**.

At the same time, governments are lacking resources and they are getting interested in the FTT because of the crisis. The issue now is how the revenues of the tax are going to be used; and ideally it should not be used to pay governments debts.

Mr. Poul Nyrup Rasmussen – As commented was finally unable to attend the event, and his written message was read by the moderator on his behalf. In this message as President of the Party of European Socialist he insisted on the five following red lines for the FTT: implement a FTT with a broad tax base to ensure that all parts of the financial sector make an adequate contribution, with a total revenue of €200 billion instead of the €20 billion proposal of the EC; **to put in place a FTT at a global level, starting with an European Tax first**; to agreed on a clear timetable for the implementation of the FTT as early as possible; to ensure that the tax does not weigh on ordinary citizens and the real economy, since 0.005% is small enough; and

finally that the revenue collected with the FTT must be allocated to those issues where the need for funding is the most pressing.

Mr. Julien Meimon began his intervention by exposing the role of the Leading Group which is a group that gathers together International Organizations, governments, private sector and civil society organizations in order to work with countries to act towards the implementation of a macro tax. The Leading Group consists today of 63 member countries, international organizations, important foundations, NGOs and representatives of civil society.

Over the course of the past few years, the Leading Group has become an important platform for discussion, sharing information and promoting innovative financing mechanisms. In this sense, the main mission that the Leading Group has nowadays is to **strengthening political will** and commitments of the governments towards the five categories of innovative financing for development. He ended by stating that since 2006 USD \$6 billion have been raised for financing for development by alternative mechanisms, so there is a way forward to this direction.

Mr. Willam Pace pointed out that one of the main reasons why Boutros B. Ghali was not re-elected as UNSG in the 90's was because he gave his support to the FTT. The World Federalist Movement is worried that the G20 Finance Ministers are going to find a way to hijack the FTT for their own geopolitical goals. The main concern is where should the money raised be allocated? Pace proposed to allocate the funds collected with FTT to Development and Peace processes, so everyone would gain and the funds would be equally spread. **Ideally, 60% of the funds would be directed to Multilateral Organizations and 40% would go to governments.**

Mr. Jim Paul began his intervention stating that if we look at a very small tax it may not produce a lot of revenue. It may not have a big impact in terms of policy-streaming either. However, the FTT is also supposed to throw sand in the gears "to make these transactions more costly". Citizens of the world are fed up of their low income. And **these taxes can be redistributed and have democratic control through the finance ministers.** This is a very big and complex challenge. And therefore, we are going to need a global taxation institution instead of national governments on order to manage this funds. We need to strengthen the global institutions in order to effectively spend the money in very specific places & issues.

Mr. Kevin Dance, who is the Chair of the NGO Committee on Financing for Development, focused on the Monterrey process and stated that "We are talking about justice, not about charity". Nevertheless, USD 3 trillion disappears in illegal financial flows every year. The IMF report has proved that the FTT is feasible, it can be implemented and by applying a 0.005% tax on the transaction the excess of speculation could be better controlled. In fact some of the taxes targeting the financial system could decrease the volatility of the markets.



Public attending the session. Photo by the Global Policy Forum

Before giving the floor to the audience, Mr. Manuel Manonelles summarized the interventions of the speakers, enunciating their common positions and the issues that are still to be addressed.

The discussion that followed the panel pointed out the fact on how money will be managed and who will be responsible for managing the funds emerging from that eventual tax. On one side, a clear specific answer is still unclear about which international organization should take this responsibility, although, it seems that there are some common points of view regarding this issue. What is sure is that a new structure should not be created just for the fact that there are new funds which need to be managed; since this option would cost more money and would also complicate, even more, the current panorama of competing funds, programs, etc. On the other side Manuel Manonelles made a clear statement that these funds should be managed through the existing UN agencies, programs and funds with the UNDP.

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