

# Nurturing Development: the Role of Innovative Financing for Development and its Implications on Economic Governance

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In the table, from right to left: Gail Hurley, Peter Bakvis, Manuel Manonelles, Eduardo Galvez, Julien Meimon. Photo by the Global Policy Forum.

In the context of the Fifth High-level Dialogue on Financing for Development, the 7<sup>th</sup> December 2011 the **UBUNTU Forum** organized in collaboration with ITUC, the Global Policy Forum and the Center of Concern, a Side Event entitled, “**Nurturing Development: The Role of Innovative Financing for Development and its Implications on Economic Governance**” at the United Nations Headquarters in New York. This was possible also thanks to the collaboration of the Permanent Mission of Chile to the UN and of UN-NGLS.

The event aimed to advance in the debate of the important role that international Finance and Currency Transaction Taxes could play as a source for rising resources to finance development and the advancement of the MDGs agenda. **Amb. Eduardo Gálvez**, deputy Permanent Representative of Chile, precisely focused his intervention on the urgent need to advance in the area of global economic governance, the current international financial and economic crisis having put into evidence the enormous deficits and challenges in this regard.

Moreover, the event also addressed the different implications that these international taxes could have in terms of global economic governance. In fact, the impact that this lack of governance is causing to productive economy could be partially addressed by the implementation of a Financial Transaction Tax (FTT) and its positive externalities in terms of speculation reduction. As **Peter Bakvis**, Director, ITUC/Global Unions – Washington Office, affirmed: *“We need additional methods than FTT, but FTT can improve economic governance and help finance public services and people’s needs while pushing financial speculation back.”*

In the opinion of **Julien Meimon**, Head of the Permanent Secretariat of the Leading Group on Innovative Financing for Development, the fact that FTT was mentioned at the G20 Cannes Summit final declaration of last December was a step forward in the advancement for its implementation: *“Everybody who maintains the opposite might be pursuing a different agenda or has other reasons to oppose it”*, Meimon stated in his intervention in representation of the Spanish Presidency of the Leading Group.

Innovative mechanisms to finance development are emerging and receiving growing support from governments. However, it is still not enough in order to implement them globally. UNDP expert **Gail Hurley** highlighted that *“Some initiatives have the potential of being stable, and sustainable resources provide a possibility to move away from ODA. However, the key driver is political will”*.

Moreover, there are two main challenges that should be seriously faced in the eventual case of the implementation of this important new source of incomes. On one hand, there is, as it was pointed during the debate, *“the danger that revenues raised by FTT go to finance national development or even sovereign debt, rather than to international development. Allocation mechanisms to transfer this money to developing countries need to be worked out.”* On the other, there is the issue of how these revenues would be managed and who would be responsible for its administration: *“The clear will of civil society is that those revenues will be managed by an entirely democratic and global body within the UN system”* commented **Manuel Manonelles** from the UBUNTU Forum.

There was total consensus that different options of FTT are feasible mechanisms which, additionally to ODA commitments, could be crucial to fill the current financial development gap and to solve the *“global solidarity dilemma”* as many experts have highlighted. However, the real challenge nowadays is to gather the necessary political will to implement such mechanism.

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