



Dialogue on
Globalization

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The Brasilia conference on Innovative Financing Mechanisms

Report of the Conference in Brasilia, Brazil, July 6-7, 2006

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Introduction

The Brasilia conference on July 6 and 7 marked additional momentum in the mobilization of new sources for development finance. The meeting, organized by the government of Brazil, in which 40 countries and 20 non-governmental organizations were in attendance demonstrated that international support for an air-ticket tax is moving very fast. Only five month after the Paris conference in which 13 countries set the ball rolling for a tax on airline travel, six additional nations have already followed suit. (see table 1).

1. France	8. Jordan
2. Chile	9. Luxembourg
3. Brazil	10. Madagascar
4. United Kingdom	11. Mauritius
5. Congo	12. Nicaragua
6. Cote d'Ivoire	13. Norway
7. Cyprus	
New countries	
14. Cambodia	
15. Guinea	
16. Gabon	
17. Guatemala	
18. Mali	
19. South Korea	

While the lack of political will by other major industrial countries to implement the air-ticket tax will lead at this point only to modest additional revenues for the achievement of the Millennium Development Goals, the commitment made by South Korea has given a new boost to the initiative.

The unique alliance between governments from the North and the South did not launch any new innovative financing mechanisms in the Brazil meeting, however, it was acknowledged that the issue of tax evasion must be given urgent attention as it is responsible for the erosion of resources available for combating hunger and poverty. Germany announced in the conference that it will commission a study on the impact of tax evasion on development.

The Brasilia meeting gave furthermore a first insight into the role and governance structures of the newly established International Drug Purchasing Facility (IDPF) which will receive revenues from the air-ticket tax to fight pandemics such as HIV/AIDS, Malaria and Tuberculosis.

The status quo of innovative financing mechanisms

In the official opening of the conference the Brazilian Minister of Foreign Affairs, Celso Amorim and high-level officials from the French Ministry of Foreign Affairs and Finance emphasized that the Millennium Development Goals (MDGs) cannot be achieved unless

globalization becomes more equitable. The government officials rallied support from other countries to implement Innovative Financing Mechanisms in order to supplement official development assistance (ODA) and to win the battle against poverty and diseases in the Global South.

In response to the request of the Franco-Brazilian leadership participating governments spoke mainly on the growing consensus about the role innovative mechanisms may play and expressed their support for an air-ticket tax to win the ongoing battle against pandemics. While the international awareness that the intergovernmental group on innovative financing mechanisms has created is remarkable, there is still a long way ahead to ensure President Lula's original demand of noticeable "action against hunger and poverty." The envisioned revenue of \$ 800 Million by the air-ticket tax by 2015 and \$ 4 Billion (over 10 years out of existing ODA) by the International Financing Facility (IFF) of the United Kingdom will not obtain the desired goals of poverty alleviation.

The announcement of new pilot projects in the Brazil conference by the Spanish government for the facilitation of remittances of its immigrant community and Chile's new initiative to alleviate malnourishment of children will not lead to a breakthrough in this regard.

Governance and scope of the International Drug Purchasing Facility (IDPF)

While the decision to channel the revenues of the air-ticket tax into an "International Drug Purchasing Facility" (IDPF) to fight pandemics in developing countries is set in stone, the Brasilia conference showed that the scope of the facility and its governance structures remain undefined. Civil society activists that are working on global health policies emphasized that the allocation of funds should not ignore existing health strategies in developing countries and expressed concern that the IDPF would be imposed in a top-down approach onto existing mechanisms, thereby complicating decision-making processes and increasing bureaucracy. It was in particular criticized that the intergovernmental initiative for an IDPF does not recognize that the protection of intellectual property rights in the context of the WTO is a major impediment to competition in the sale of generic drugs in developing countries. Civil Society representatives demanded further participation in the governing body of the IDPF.

The discussions in the Brasilia conference on the governance structures of the IDPF indicated that the "Global Fund to Fight AIDS, Tuberculosis and Malaria"(GF), which was created in 2002 and receives substantial financial support from private foundations such as the Melinda and Bill Gates Foundation, might become a major beneficiary of the revenues of the air-ticket tax. In a recent proposal the GF has already made a move for a programmatic partnership with the International Drug Purchasing Facility.¹ The Global Fund has not only reached a scope that exceeds the health budgets of several developed countries, moreover, as a global player it has established a well developed governance structure. The recent donation by the American billionaire Warren Buffet to the Gates Foundation in the amount of \$ 37 Billion which will give the Global Fund an additional boost would make the Fund at least in scope an unequal partner of the IDPF.

¹ The Global Fund, Proposal for a programmatic partnership with the IDPF, Geneva, July 2006

The role of civil society

The strong presence of civil society representatives in the Brasilia meeting ensured that in the plenary and different workshops government representatives were exposed to the full menu of options for additional financing mechanisms. Civil society participants took advantage of the new political momentum on innovative sources of finance to lobby for a Currency Transaction Tax (CTT), the allocation of Special Drawing Rights (SDRs) and mechanisms against tax evasion. It was outlined that these instruments would not only ensure a much higher magnitude of potential revenue for the achievement of the Millennium Development Goals (MDGs), but furthermore a noticeable shift in the discourse on globalization towards a more equitable development model. Members of civil society suggested in addition that one of the additional mechanisms should be dealt with in a separate international conference.

Since governments in the meeting agreed in principle on the need to fight tax evasion future North-South cooperation may lead to progress in this area. In this context it should be encouraging that the official chair's summary in the Brasilia conference acknowledges the proposal for an international conference on tax evasion.

The way forward

The intergovernmental group on innovative financing mechanisms announced in the meeting that the establishment of the International Drug Purchasing Facility (IDPF) will be made official at high-level during the opening of the UN General Assembly in September 2006. Moreover, Norway will become the next chair of the group and will host an international conference on Innovative Financing Mechanisms in Oslo in February 2007.