

Leading Group on Solidarity Levies to Fund Development Second Plenary Meeting

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OPENING STATEMENT

**Erik Solheim
Minister of International Development**

Good morning everybody.

I'm suffering from the worst flu attack I've had for years and the only reason for me to get out of bed this morning is the importance of the issues to be considered here today. This conference is a follow up to the conferences in Paris and Brasilia over the last year. It is now putting the discussion on innovative financing mechanisms on the international agenda. This is an incredibly important issue.

Based on their impression from the media, people tend to believe that the world is moving in the wrong direction. The truth is the contrary. In nearly all measurable ways, the world is moving in the right direction. Democracy is spreading, there are fewer wars and there is less poverty than at any given point in history. Even with respect to environmental challenges, we are now much better equipped to handle them than we were just a few decades back. The world is moving and it is moving in a positive direction and our outlook should be optimistic.

But this is of course of little comfort to people trying to raise their children in Bagdad. Neither will it help anyone in Darfur telling them that the world is improving. Neither will it help children dying of malaria telling them that on average everything in the world is moving the right way. Saying that our ability to solve environmental problems is better than ever, will of course not ease the suffering of people living in contaminated environments.

If you look at the globe there are only three fundamental challenges: peace, poverty and the environment. And these three challenges are of course closely interrelated. The fundamental idea for this conference is very simple; to start a process leading us to a situation where we have sufficient resources to end poverty.

The remarkable thing about our time is that for the first time in history it is possible to eradicate poverty. If Napoleon had decided to eradicate poverty instead of attacking Russia, he would not have the means or any idea about how to do it. The same goes for Churchill and Roosevelt. They would not have known how to end poverty if they had decided to do so. This is what is new; for the first time in history we have both the resources and the knowledge about which policies that work in the struggle to end poverty.

It has worked in Europe and it is now demonstrating its efficiency all over Asia; in China, in Korea, in Singapore and in Malaysia. We know what works, it is the combination of a strong and well functioning state and a market based economy.

We have the resources to end poverty, we have the policies. It is now simply a matter of political will. And if the political leaders of the world decide to mobilize this will, we can do it.

What should we do? The idea here is to look into how we can mobilize extra resources. We should be careful not to establish very intricate systems that do not raise more resources. Money is the important factor and if we continue at the present rate, we will not succeed. The average contribution to aid is 0,3 per cent of GNI and continuing at the present rate it will reach 0,36 per cent in 2010. To finance MDGs and other needed investments we need to increase aid to 0,7 per cent of GNI in 2015. This is much higher than the commitments made.

We are here to mobilize long term, predictable increased funding for development. International coordination is crucial. The more we can do things in the same manner in different countries, the stronger we will be.

Let me look into the specifics of some of the mechanisms that have been proposed.

In December 2005 Norway offered its support to the French initiative on a solidarity contribution on plane tickets. I believe this initiative holds much promise. Solidarity levies are easy to implement, collection costs can be made minimal, national tax sovereignty need not be affected, and need not affect competition between air carriers or international airports. They can be implemented without waiting for universal participation. In fact, it can be done

unilaterally. But *internationally coordinated* implementation is even better, of course.

Norway's introduction of a *new* air transportation levy will depend upon increased international support for the French solidarity initiative. We need a "critical mass" of support, including support from EU countries. For the time being, we will allocate a portion of our existing CO₂ tax on aviation fuel as our solidarity contribution (roughly 21 million dollars in 2007).

20 countries have either committed to – or communicated their clear intent to – introducing air ticket or other aviation levies for development purposes. The initiative is moving forward. Remarkably, many of these are developing countries themselves. We need more support and commitment from industrial/donor countries. There are of course also strong environmental arguments for increased tax on aviation. International aviation is clearly "under-taxed", compared to its negative impact on the environment.

Out of the idea of aviation tax came the UNITAID initiative. This ensures that the solidarity levies on aviation will be put to good use. Pooled proceeds will be used to combat hiv/aids, malaria and tuberculosis, through the new international drug purchase facility UNITAID, officially launched in New York in September 2006. UNITAID is an important pilot project which will bring down the prices on pharmaceuticals through large purchases. UNITAID will provide low cost drugs for the many instead of high cost drugs to the few. Norway is committed to stay with UNITAID over the long haul. Our long-term commitment will be specified this spring.

Norway is one of the founding partners in the International Finance Facility for Immunization (IFFIm), with our 5-year 27 mill dollar contribution. So far, IFFIm is the largest (4 billion dollars) innovative mechanism. The first 1 billion dollar bond issuance in November was a great success. We need to make sure that IFFIm delivers at country level. I am confident that it will.

There are very good reasons to continue the debate on a currency transaction tax for development. It is somewhat striking that financial transaction taxes are relatively common, while *currency* transactions have to date remained exempt from taxation. I take the opportunity to thank Stamp Out Poverty for an excellent report ("*Taking the Next Step*"), commissioned by my ministry and available here today in its final version.

It is important to stress that this is a *new debate*, not the "Tobin tax re-visited". This time around the proposal is for low taxes, with one aim only: to mobilize additional finance. Not high taxes to "throw sand in the wheels" of the

international finance markets. There is an increasing need to discuss this proposal with market players and finance circles, to get the counter-arguments sorted out, tried and tested.

Regrettably, many of the “naysayers” are not too talkative when it comes to open discussion. We need to get Ministries of Finance to seriously consider the proposal, not just dismiss it upfront.

There is a need for increased debate on the role of so called tax havens. I just came back from Nigeria and Angola last week. Nigeria is a place where courageous leaders – headed by president Obasanjo – has taken up the struggle against corruption in their own country. A country that has had an immense corruption problem for decades. One person and his team - Mr. Ribadou, head of the government’s anti-corruption unit – have recovered 6 billion USD!

Thanks a lot to Tax Justice Network for their brand new report (*“Closing the Floodgates”*), also commissioned by Norway, available on the conference web site and here today. There are around 70 tax havens around the world. They contribute to a global tax evasion of more than 250 billion dollars annually, more than enough to fully finance the MDGs.

Annual capital flight in Africa alone is above 30 billion dollars. This dwarfs the promises made by G8 on increased aid.

The principle problem is perhaps not tax evasion itself, but the secrecy of the tax havens. The money could be from any source; corrupt leaders, terrorists etc, and it could be hidden in these structures.

It is self-evident that combating tax havens and capital flight could be a major contribution to mobilizing finance for development. Again, we should get our act together and really *do it*.

We can only fight this in a joint effort between developing countries, western countries and the multilateral system. I’m very pleased with the prominent place the World Bank has given this issue on its agenda.

Let me conclude by mentioning two new mechanisms that Norway has decided to support.

The Advance Market Commitments (AMCs) for Vaccines is a very important new pilot project, promoted by Italy, the UK and Canada with backing from the G8. We applaud the innovative approach taken.

The basic idea is to compensate for market failure in the development of vaccines for use in developing countries by way of guaranteed future purchases of new vaccines at a pre-agreed price per dose.

We asked a Norwegian think tank to take a critical look at the concept. Their evaluation is clearly positive. We strongly recommend the ECON report, posted on the website and available here today.

A few words of caution are warranted: AMC funding must not replace other funding for health programs. Special notice should be paid to continued funding for primary research, strengthening vaccine delivery systems and improving demand forecasting activities that are critical for the success of an AMC.

We would also stress the need for *independent* monitoring and evaluation of AMCs. This said, I am very happy to flag Norway's support to the pilot AMC for *pneumococcal disease* here today. The Government will propose to the national assembly that Norway make a long-term commitment to contribute 350 million Norwegian kroner, corresponding to roughly 54 million dollars (twice our IFFIm contribution) to this pilot. We encourage other donors to chip in, to get this pilot fully financed.

Allow me to briefly comment on a major revolution that has taken place over the last year. Less than a year back discussions on climate change tended to be a discussion among experts and environmentalists, and the issue was not at the top of the international agenda. Over the last few months it has become the very core of the international political debate. This is good. It will stay there. And we have to take these aspects into consideration in all our activities.

The average flight distance for delegates coming to this conference roughly equals the distance between New York and Oslo. I'm pleased to announce that this conference is "CO₂ neutral". The Ministry of Foreign Affairs will buy "climate tickets" (available on the Internet), that fully compensates for the CO₂-emissions resulting from airplane travel to and from Oslo.

We will use the "My climate" scheme operated by the Norwegian NGO *The Future in Our Hands*, present here today. Our purchase amounts to a 10.000 dollar contribution, which will be devoted to renewable energy and energy efficiency projects in a developing country context.

A symbolic gesture of ours, but nevertheless a political statement.

Thank you.