

NGO contribution, Conference on Innovative Financial Mechanisms

Oslo, February 7th, 2007

Speaker: Morten Eriksen, Managing Director in the Norwegian NGO Forum

Dear Chair, Dear Participants

First, I want to thank the Norwegian Government for hosting this Conference and for their ambition to make a great difference in this field. I also want to thank those who contributed in the very interesting discussions we have had. Much good work has been done by the leading group, and we as NGOs want to acknowledge the progress so far, such as the expert meeting in December.

This conference has shown the potential to take the projects of Innovative Finance forward – and contribute to closing the floodgates in the global financial systems. But then we also need to hear clear commitments to concrete actions as we close – and in the weeks to come.

We believe that we share a common vision; that the international society now will address the unequal distribution of wealth, contribute to the fight against poverty and disease and combat the destruction of our environment. Global poverty and the environmental crisis are not results of lack of resources, but are caused by unjust wealth and income distribution and by unlimited growth for those who already have and consume too much.

We see this work with Innovative Financial mechanisms as an important means of dealing with these issues.

The expectations were high when Norway took over the Presidency of the Leading Group. These expectations were embedded in the Government Declaration from 2005, the Soria Moria Declaration, created in the forest not far from where we were last night. Here it is stated that the Norwegian Government will act:

“...as a spearhead for international agreements on new global financing sources that can contribute to a redistribution of global wealth and the strengthening of the UN institutions, such as aircraft tax, carbon dioxide tax, tax on arms trade or duty on currency transactions....”

The term “act as a spearhead” means to walk in the front and take the lead – in action. Our understanding of this term is that it implies to actually be doing something. And I really hope that is why we are here: To spearhead action for solidarity, to initiate new ways of financing sustainable development.

Last year started with the introduction of the Solidarity Levy on Air transport. It is very important to pick up, continue and strengthen this work. We want to encourage more countries to spearhead this work.

This year should start with the second levy – the Currency Transaction Development Levy, the CTDL.

Let us remember that taxes on financial transactions are quite commonplace. Six countries within the EU have different types of financial transaction taxes. Of these it's worth mentioning that the UK stamp duty on shares transactions, levied at 0,5 per cent, raises £5 billion per year. In South America, many countries such as Argentina, Brazil and Colombia employ such levies to fund their general expenditure.

Indeed what is strange is that currency transactions have to date remained exempt from taxation.

Taxation on currency transactions is now widely accepted as feasible. Indeed, the discussions at the Expert workshop here in December, as well as the discussions yesterday, centered around the only real block to the proposal: Political will!

The leading idea for this second 'development tax' is a tiny levy on foreign exchange transactions. On the Norwegian Krone, for example, the suggestion put forward at the December Workshop of a levy of one hundredth of 1% would generate about \$200 million a year, affecting only banks and large companies and not the ordinary working person. This is the kind of innovative proposal we thought this Government would be keen to champion.

Please, let me speak directly to our host: The Norwegian Government. Do you have the political will, as you state in your declaration from the forest, to spearhead this project and launch a national pilot project on CTDL?

We still hope that you will, and we challenge other governments to follow.

We will also invite countries from the leading group to initiate a Task Force on this issue, to deliver concrete proposals and details for implementation for our next meeting. As a Norwegian NGO I will challenge our government to take the lead – at least in having the Task Force established.

Carrying forward the agenda of making the CTDL a reality fits well with Norway's history of being in the front in the field of sustainable development.

Mr Chair, let me turn to the issue on the Air Travel Levy, which is now implemented in several countries.

We as NGOs first of all would like to urge the other members of the Leading Group to implement the air travel levy as well, and as quickly as possible. We know that too many countries are waiting for a "critical mass" - you now have the possibility of becoming this mass.

Revenues from this particular levy are expected to remain at first rather small compared to global solidarity needs; they should therefore be spent in a manner that is also innovative.

One example of such innovative spending is the UNITAID initiative, which has the unique aim of turning the WTO accords on access to medicines from theory to reality, thereby allowing millions access to lifesaving medication. And we have this morning heard the need and the importance on getting on board.

Mr Chair, we heard our Min Erik Solheim yesterday state the need for the same system in many countries. Still the Norwegian solution has so far not been to implement a new levy, but to re-allocate funds from the existing tax on carbon dioxide emissions on domestic flights. It's hard for me to see how reallocating existing funds can be labelled new, even though it might be innovative. But it is not innovative in the way we think of that term.

The Norwegian position has been to wait for a "Critical Mass" of other countries, before a new levy is implemented.

Waiting for others is not what we understand by spearheading anything. The best way of getting this "Critical Mass" of countries is, in our view, to show what's possible. Action speaks louder than words.

Having said this,

Both the aviation levy and the currency transaction development levy are well designed to function as solidarity levies. Both are directed at the worlds richest – it's a very tiny minority of the world's population that has ever entered an air plane. And remembering last week's report from the International Panel on Climate Change, taxing one of the worst polluters existing does not strike us as a bad idea. We also know that it's the worlds poorest that are suffering most from the effects of climate change.

Mr Chair, I want to turn attention to the subject of yesterday's session on Closing the Floodgates. Globally the trend in taxation over recent decades has been regressive. Capital account liberalisation, the growth of multinational companies, and increased use of tax havens, have made it far harder to tax capital. Governments have responded by switching the tax burden to indirect taxes. In many countries poor people now pay proportionately more tax than the wealthiest people. It is not surprising that inequality is on the increase.

Free capital movement has eased the international flow of money, which is good for trade and investment, but unfortunately without effective regulation of tax havens, capital flight and tax evasion has increased dramatically in scale. US dollars 11.5 trillion is held offshore, largely untaxed. Even taxed at a moderate level the income from this wealth would yield enough revenue to pay for the Millennium Development Goals in their entirety.

Capital flight has looted countries, even continents of their financial resources. Taking the example of Africa, it is estimated that up to US dollars 150 billion of dirty money flows out of the continent every year. Far from being a debtor, Africa is a net creditor to the rest of the world, but unfortunately these assets are held offshore under the control of private wealth holders.

In total over the past 10 years USD 5 trillion of dirty money has been moved out of developing countries via tax havens into the economies of the North. This Mr Chairman explains why we talk about a flood, and why we press for the Leading Group to take urgent steps to stop the flood, and maybe even reverse the flow.

The report Closing the Floodgates identifies over 20 measures that members of the Leading Group can adopt to tackle capital flight and tax evasion. Many of the measures can be taken unilaterally. Some measures can be adopted to strengthen international initiatives. Many of the proposals involve addressing the culture of corruption which tax havens and offshore financial intermediaries encourage and support. Collectively the proposals will go a long way to help reverse the regressive trend of the past few decades.

I have referred to the culture of corruption of tax havens. As Norwegians we like to think of ourselves as taking the lead in combatting corruption. We therefore encourage the Norwegian government to act decisively to create a working party of countries from North and South – including civil society organisations like the Trade Justice Network and Transparency International – to re-define the geography of corruption and expose the harm done by tax havens.

Next year is the Monterrey + 6 conference in Doha. We would like to hear a strong statement made at Doha about how tax havens cause poverty, and what should be done to stop this scandal.

Mr. Chair, (I'll soon sum up.) These measures I've touched so far – the Currency Transaction Development Levy, the Aviation Levy and Closing the Floodgates, they should only be regarded as the first steps of internationally coordinated national taxes. There are quite a few other areas that could be objects of international coordinated taxation. If we again turn to the Soria Moria Declaration, it also mentions carbon dioxide tax and tax on arms trade. I would want to add an international levy on maritime transport, as another possibility.

And when it comes to Advanced Market Commitments - AMC – as I remarked yesterday, what we should be dealing with here is new and innovative financial mechanisms. We can not see AMC as a financial mechanism.

Dear Government representatives, we believe that you are capable of doing more than one thing at a time – we believe that you can implement the Airline Levy and the Currency levy at the same time as you take concrete actions to Closing the Floodgates. The question is about political will.

Dear Chair, when new ideas are announced, there will always be someone ready to label these ideas as either impossible or ridiculous.

Not many years ago, the previous Minister of Finance in Norway declared that implementing of ethical guidelines on the Norwegian Oil Found was completely impossible. This fund is one of the largest funds in the world. Two years later, the ethical guidelines were imposed. And they function!

And we can also clearly remember a time, not many years ago, when the Norwegian Government refused to discuss the concept of illegitimate debt – now, Norway has requested the World Bank to do a study on that very concept, and last autumn, Norway cancelled debt from the shipping export campaign recognising responsibility as the creditor. That was a bold step.

Solidarity and success in raising resources and using them effectively calls for full and active involvement of Governments, Civil Society and recipients countries in the entire process. Considering the potentials in giving momentum to this set of initiatives, we urge the leading group to take concrete measures and their participation real and effective.

Dear representatives, what we ask from you is to be as bold as that. Do not let these initiatives lose momentum. Our concrete proposals will help keeping the work on track.

Talking is not what we are asking for, we need political will demonstrated by action.

Let us together turn words into actions, and make – what once seemed impossible – let us make it happen.