

**INNOVATIVE FINANCING WORKSHOP**  
**Meeting the needs of developing countries:**  
**The role of innovative financing**

**Prepared remarks for Henri de Raincourt, French Minister for Cooperation and Development**

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Ladies and Gentlemen,  
Dear friends,

The topic of innovative financing, which brings us all together here today, is one that plays an important role in mobilizing and uniting members of the development community, which comprises not just States but also NGOs, think tanks, research groups and foundations. I am delighted that this meeting is bringing us all together today to discuss all of the mechanisms covered by this notion.

This topic unites us for two main reasons:

- Because innovative financing creates new bridges between the public and private sectors, between countries of various levels of development, and between States and civil society
- It unites and mobilizes us, too, because of the qualitative and quantitative gains that can be expected from these new development resources. For they represent an innovative response to the challenges of development, in addition to conventional forms of aid, which remain, of course, essential.

I hope that these discussions and exchanges of best practices will lead to new paths of action and to tangible and concrete solutions. As you all know, it is urgent to act.

The starting point is simple: Quite simply, in an increasingly interdependent and globalized world, we must constantly innovate if we want to meet the Millennium Goals.

Why?

- Because the current financial crisis is strongly constricting the budgetary resources of the most advanced countries and will continue to do so for several years, just as financing needs increase.
- Because our ambition is to accomplish the Millennium Development Goals, which despite notable progress are witnessing a troubling delay, notably on the African continent.
- At the same time, new financial needs have emerged, notably related to climate change: \$100 billion from official and private funds must be raised by 2020.
- Conventional official development assistance represents \$127 billion per year at the global level (0.31% of the GDP of the OECD countries). It will not be enough.
- We must therefore innovate to come up with more stable, more predictable resources for development; financing based on globalized activities; financing based on a broad enough base that can, through a minuscule contribution, change the equation if it is used in a well-coordinated manner.

This kind of financing is not new—certain mechanisms were already put in place several years ago and have proven their effectiveness—and not all new financing is innovative.

The notion of innovative financing is threefold, relating to:

- greater stability and predictability
- complementarity with respect to the APD, and
- contributions from sectors that have benefited the most from globalization.

The UN has established the usefulness and necessity of resorting more broadly to innovative financing (in Monterrey in 2002, in Doha in 2008, and in New York during the summit on the Millennium Development Goals in September 2010). It not only recognized the added value of innovative financing, but also the current need to “change its scale.” A UN resolution on innovative financing was also passed in December 2010, at the initiative of Brazil.

The French G20 Presidency has also made it a major priority.

Today, innovative financing is on the agenda of a large number of international bodies; the G8; the EU, in its preparation of the summit of least developed countries (many of which will meet to discuss innovative financing); the African Union; the World Bank; and major foundations.

An informal group of some 100 nations, international organizations and foundations is also spurring the most trailblazing partners to move forward, based on the best practices that have been observed. This is the Leading Group on Innovative Financing for Development, now chaired by Mali; France holds its Permanent Secretariat.

So how can we change the scale?

By very pragmatically starting with what there is already, as many mechanisms already exist and could be expanded.

There are five major families of innovative financing to date:

- Financing mechanisms with public guarantees (such as the International Finance Facility for Immunization—or advance market commitments)
- Voluntary contributions by private individuals or companies
- Market mechanisms (such as allocating for development a fraction of the earnings from CO2 auctions, successfully implemented by Germany)
- Debt management mechanisms (such as “debt to health” swaps—the C2D contracts established by France)
- And micro taxes based on globalized activities (levies on airline tickets and, of course, the project to tax financial transactions).

The estimated amount of funding raised by these mechanisms, nearly \$6 billion since 2006, attests to the operational and tangible nature of innovative financing, which is no longer just a nice concept but a basket of concrete measures. Today 23 countries, 12 of which belong to the G20, have established innovative financing. We must continue this dynamic and increase that number.

To change the scale, we must also examine without preconceived notions the mechanisms that could simply, swiftly and transparently increase the volume of resources.

France supports and is promoting to the G20 and the UN the establishment of a micro-tax on financial transactions that could have several bases, notably on the currency market (i.e., nearly \$4 trillion in daily transactions). Five cents levied on each \$1,000 exchanged means more than \$30 billion that could finance international solidarity each year.

This isn't about adopting an ideological stance but rather about reasoning in a pragmatic matter. Numerous experts have demonstrated that this kind of contribution is technically feasible and would not translate into economic distortions or negative effects on the economies of the countries adopting it, as long as the rate adopted would be very low and the base would be very broad.

The IMF, the OECD, the Leading Group and the high-level panel chaired by Mr. Meles and Mr. Stoltenberg have confirmed the technical feasibility of the solidarity levy.

Finally, the establishment of such a solidarity levy would in fact be the most effective means of raising several tens of billions annually for development.

For those who doubt the seriousness or the conclusions of these reports, I will reiterate two points:

- More than 40 countries have already established a tax on financial transactions in their fiscal legislation (allocated to their general budget, not development, but these taxes work)
- Pending an international agreement, we could establish a pilot project for countries that are ready to commit and then assess it at the end of its first year
- Spain, Belgium, Germany, Brazil, Austria, and Norway, are already considering it. The countries of the euro zone have begun considering the establishment of such a mechanism.

Behind these figures, lives are at stake, and that is the point I'd like to conclude with.

In some areas such as education, when there is no stable financing, attendance at school is interrupted and the slow process of education and training, essential to the country's development, is undermined.

A tax of five euro cents on currency exchange transactions, which would raise 30 billion in new, stable financing per year, would make it possible to finance two years of access to primary school for every child in Africa. Raising such funds could give new momentum to the fight against food insecurity and the achievement of the goal of universal access to antiretroviral treatments.

Faced with all these challenges, the establishment of new, innovative financing mechanisms of all types is a matter of credibility for the international community.

It is economically rational because resolving all these problems today will limit the considerable financial efforts that will be demanded of future generations if we do nothing.

The discussions here will confirm, I am certain, the need for the change in scale that the international community called for in Doha in 2008.

American civil society, as the Center for Strategic and International Studies has noted, is a fertile source of innovation and expertise that can serve as an inspiration to other nations. France, which asked Bill Gates to draft a report on development financing and innovative financing in particular, is convinced of the productiveness of this type of joint approach toward refining our analyses, moving toward a shared diagnosis, and identifying areas of action.

In order to continue our discussions, I will see you at the Conference of Least Developed Countries (LDCs) in Istanbul on May 9 for the parallel meeting of the Leading Group co-organized with the UN under the group's Malian presidency. During this event, we will more specifically discuss concrete plans for action to finance the needs of the LDCs.

Thank you.