

## **Summary of informal hearings of civil society on financing for development (New York, 22 October 2007)**

1. The General Assembly, in its resolution 61/191 of 20 December 2006, decided that the modalities for holding the 2007 High-level Dialogue on Financing for Development will be the same as those used in the 2005 High-level Dialogue. In its resolution 59/293 of 27 May 2005, it set out the modalities for the 2005 High-level Dialogue and determined that all issues regarding financing for development would be discussed during the informal interactive hearings to be held with representatives of non-governmental organizations, civil society organizations and the private sector. In response to this mandate, the General Assembly convened hearings of the business sector on 11 October 2007 and hearings of civil society on 22 October 2007 at United Nations Headquarters in New York.
2. The informal hearings of civil society on financing for development were chaired by **H. E. Dr. Srgjan Kerim, President of the sixty-second session of the General Assembly** and **H.E. Johan Ludvik Løvald, Permanent Representative of Norway**. The event was moderated by Mr. Jomo Kwame Sundaram, Assistant Secretary-

### **Presentations by panellists**

4. Ms. Rosario Romero presented on “The role of civil society in mobilizing domestic resources for development.” The panelist underscored that domestic resources encompass human, material and cultural factors which could not be converted into commodities or traded in the market place. Accordingly, the financing for

development agenda should not confine itself to the debate on how to increase monetary flows, but aim towards a broader concept of resource flows. Civil society organizations play a critical role in mobilizing resources for development by assuming the role of social actors and coordinating dialogue with the state. Moreover, they take on a crucial monitoring function for government actions and promote fair, equitable and ethical economic systems. Civil society organizations can also help generate resources at both the public and private levels by attracting official funds and supporting small entrepreneurs, in particular women. In addition, remittances are a significant contribution from civil society to the national economy.

5. However, poverty, inequality and corruption seriously limited the potential of civil society organizations to advance the development agenda. To strengthen the potential of civil society the panelist highlighted the importance of a progressive and development-friendly fiscal policy. Moreover, debt burdens and debt service needed to be reduced to free up essential resources. Ms. Romero also stated that further decentralization of state power was needed to empower citizens and communities to help set the right spending priorities. At the international level, the speaker called on participants to assess the impact of foreign investment on developing countries critically. In many countries, FDI continued to be channeled almost exclusively to



- architecture is also weak in addressing the needs of post conflict countries with enormous social, economic and infrastructural problems. Liberia has made considerable strides in creating stability and embarking on the path of growth and development, however the international community is stuck to the relief mode of development assistance with little regard to the efforts of the government to move from transition to development. Finally, the speaker highlighted the need to include civil society in the aid architecture at the national level, because of its critical role in advocacy and monitoring the impact of aid.
10. Mr. Rodney Schmidt focused his presentation on “Innovative sources of finance”, in particular the currency transaction tax (CTT). He stated that the CTT was one of the new mechanisms being considered by many governments, international institutions and others, to raise large amounts of independent, global and stable revenues. According to the speaker the revenues from the CTT should be used to finance international development and other projects addressing global issues, such as public health. He also highlighted that, of the possible new sources of finance for development, the CTT was the most immediately practical and effective one since it was easy and safe to implement, and would raise significant sums of money every year. The panelist explained the CTT was a proportional, or percentage, tax on individual foreign exchange transactions, assessed on dealers in the foreign exchange market and collected by financial clearing or settlement systems. The CTT could be gathered by the existing global financial settlement systems, such as the Continuous Linked Settlement (CLS) Bank or SWIFT and on all foreign exchange instruments, no matter where or how they were traded. The speaker further claimed that a CTT of 0.5 basis points on every foreign exchange transaction in dealer markets would widen spreads at most by one basis point. This was acceptable since, in his opinion, spreads in the major currency markets (dollar, euro, yen, and sterling) commonly had fluctuated by up to a basis point and, less commonly, by more.
  11. Based on his research findings a CTT of 0.5 basis points would reduce transaction volumes by 14 percent. He further explained that volumes in the dollar markets had fallen by nearly that amount in the past, without any noticeable impact on exchange rate behavior. Therefore, it was unlikely that it would disrupt either exchange rate behavior or market liquidity. The speaker emphasized that a CTT of 0.5 basis points on the major currencies would yield annual revenue of at least US \$33 billion considering only the traditional spot, outright forward, and swap derivative markets. This number was likely to be much higher if other markets were added. Mr. Schmidt referred to other potential new sources of financing for development such as the International Finance Facility for Immunization and air ticket levies. However, the revenue potential of the CTT would be significantly higher than that of other mechanisms. The panelist concluded that the CTT was a feasible new source of revenue for development and other global projects because it was safe and easy to implement and could immediately raise at least US \$33 billion of global, independent, and stable revenue each year.
  12. Ms. Hellen Wangusa Anglican Observer to the United Nations, presented on “External debt and financing for development”. The panelist highlighted that despite a decrease in the debt/GDP ratio in sub-Saharan Africa as a result of debt relief, there had been an unprecedented outflow of capital from developing to rich countries. At the same time, the financial cost of debt relief had been deducted from intended aid transfers and as a result actual aid transfers had been well below projected levels. Ms.



sharing between the public and private sectors and among debtors, creditors and investors. Many participants stressed the need for more South-South cooperation and called on the UN to play a supportive role in this regard. It was also emphasized that the Review Conference in Doha in 2008 would be most effective if it took place at the Summit level. The process leading up to the Doha Conference should include Prepcoms, with the participation of civil society, and a negotiated outcome document that would take into account new issues and challenges.

### **Closing of the meeting**

15. The chairperson, Ambassador Løvald, closed the meeting by thanking all of the panelists for their rich and thought-provoking presentations as well as thanking the audience for contributing to the interactive discussions. He encouraged civil society representatives to remain engaged in the preparatory process leading up to the Follow-up Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in the second half of 2008.