

TAXING FINANCIAL TRANSACTIONS TO FINANCE DEVELOPMENT

**Ministerial Meeting of Low-Income Francophone Countries
Washington DC, 15 April 2011**

Finance Ministers of Francophone Low-Income Countries met in Washington on 8th October 2010 under the joint presidency of Mr. Essimi MENYE, Finance Minister of Cameroon, and Mr. Matata PONYO MAPON, Finance Minister of the Democratic Republic of Congo.

Ministers agreed that their development financing needs require levels of financing which only a dramatic increase in innovative financing can provide. These will require commitment by the G20, which should enhance its representation of LICs, as well as by the entire international community.

1) MOBILISING DEVELOPMENT FINANCE

1.1. Aid Volumes

Ministers congratulated those governments which, despite the global crisis, are meeting their ODA pledges, and encouraged other OECD countries to increase their ODA rapidly to reach 0.7% of GNI by 2015, reinforcing their solidarity with the world's poorest citizens. They also appreciated strongly the continuing growth in South-South cooperation from emerging powers. They reminded the international community of their huge financing gaps for health, education, infrastructure (energy, transport and telecommunications), water and sanitation, food security, aid for trade and fighting climate change.

1.2. Innovative Financing

To cover these financing needs, new additional resources are essential. They can be mobilized only by innovative financing mechanisms. Ministers reiterated their strong support for reinforcing existing mechanisms such as the International Finance Facility (IFF) bonds and the UNITAID taxes on air transport, as well as for the introduction of new mechanisms which can guarantee large, regular and stable flows of finance.

Ministers therefore supported strongly the rapid adoption of the financial transaction tax (FTT) proposal launched by France and Germany, and propose to conduct a systematic advocacy campaign to support it during 2011. Such a tax should cover the widest possible range of transactions (shares, bonds, loans, derivatives and currencies).

Ministers urged all countries, especially G20 members, to adopt such taxes or broaden the scope of their existing financial transaction taxes as soon as possible. They also urged governments to ensure that such resources are additional to ODA pledges, and are allocated according to developing country needs and structural vulnerability.

2) LOW-INCOME COUNTRIES AND THE G20

Ministers welcomed the progress made at the Seoul G20 summit on increasing representation of LICs. However, they reiterated the need to reinforce this progress by

ensuring full membership of 4 LICs (2 African, 1 Asian and 1 Latin American) in the G20, as well as the Financial Stability Board and its subsidiary organizations, which are the key organizations regulating financial flows and commodity price speculation.

Ministers also welcomed the progress on G20 focus on development under the Korean presidency – adopting the Seoul development consensus, making the development session and working group (including 4 developing countries) permanent. To continue to reinforce the legitimacy of the G20, they demanded:

- their participation in all working groups (not only development) and sherpa meetings.
- medium-term establishment of a system to represent all countries in the G20 through constituency groups with rotating chairs (as in the IMF and World Bank).

3) DEBT RELIEF, SUSTAINABILITY AND ARCHITECTURE

3.1. HIPC Initiative and Actions Against Lawsuits

On debt relief, Ministers regretted the recent slowing of progress on HIPC decision and completion points, reflecting continuing complex procedures for eligible countries. They reiterated their desire to see the remaining countries complete the process as fast as possible with minimum conditionalities and a track record between decision and completion points of a maximum of six months.

In the fight against legal actions by vulture funds and other creditors, Ministers welcomed the UK government decision to make permanent legislation preventing judgements in excess of the price paid to buy debt, and continued to urge other countries like France and the United States to follow suit rapidly with similar laws.

3.2. Debt Sustainability Framework for LICs

Ministers welcomed the new review of the Debt Sustainability Framework (DSF) for LICs by the Bretton Woods Institutions. They urged that this review should:

- Take more clearly into account their vulnerability to shocks;
- Base scenarios on financing needed to reach the Millenium Development Goals (MDG)
- Design clear thresholds for the fiscal burden of domestic debt and total public debt.

3.3. Reforms of the Debt Relief Architecture

Drawing on the experience of Haiti, it is vital to create an automatic response system building on the IMF Post-Catastrophe Debt Relief Trust under which multilateral institutions and the Paris Club automatically suspend debt service after such events.

Ministers welcomed the continuing efforts by the German and Norwegian governments to promote a faster, more comprehensive, transparent and impartial debt relief process. Such a system should prevent delays, conditionalities and non-participation of creditors during debt relief. Ministers encouraged the German government to bring forward concrete proposals at the next G20 meeting.

4) CONCLUSION

Finally, Ministers urged current and future Presidents of the G20 to engage closely with LICs and respond to their requests, and encouraged organizations which bridge G20 and LICs such as la Francophonie, the Commonwealth, the Ibero-American Secretariat (and the G24) to continue to support low-income country advocacy to the G20.