FEASIBLE ADDITIONAL SOURCES OF FINANCE FOR DEVELOPMENT

Conference Report*

THE AGENDA

The conference was concerned with possibilities of additional sources of finance *either* for disposition through multilateral agencies or bilateral aid for global priorities *or* as additional own resources for developing countries. Its background was the challenge posed by the Millennium Development Goals (MDGs) and the accepted best-estimate that their fulfillment by the target year of 2015 would require (beside much larger additional outlays in such fields as health and education and environment on the part of the low-income and middle-income countries) an *additional* annual contribution in the order of $50 billion in present prices as Official Development Assistance (ODA): roughly equal to the present annual total of bilateral and multilateral ODA.

In its sessions the conference considered:

- the International Finance Facility proposal;
- the creation and disposition of IMF Special Drawing Rights (SDRs);
- international tax cooperation; and
- internationally coordinated taxes for global use, together with
- voluntary and market methods.

The speakers on the first topic were Tom Scholar and Emmanuel Moulin; on the second, Jacques Polak and Karin Lissakers; on the third, Reuven Avi-Yonah and Ghislain Joseph; on the fourth, Anthony Clunies-Ross; and on the fifth, Ian Kinniburgh. A summary of what emerged from presentation and discussion on the five topics follows.

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* The conference, "Feasible Additional Finances for Development," was held at the Pocantico Conference Center, Tarrytown, New York, May 29–31, 2003. It was organized by the Carnegie Council on Ethics and International Affairs, the Friedrich Ebert Stiftung, the International Labor Organization, the Rockefeller Brothers Fund, and the UN Department of Economic and Social Affairs. The organizers would especially like to thank Anthony Clunies-Ross, who served as rapporteur to this meeting and drafted this report.

INTERNATIONAL FINANCE FACILITY

The proposal for an International Financial Facility (IFF) is that the donor countries should "bank'" the additional aid pledges they have made since the 2002 International Conference on Financing for Development in Monterrey, Mexico for roughly thirty years into the future. The purpose is to finance, through loans raised on the market, outlays of roughly $50 billion a year directed at the MDGs until the year 2015. Current post-Monterrey commitments amount to about $16 billion a year, and it is proposed that the donors should increase the annual amounts that they initially pledged by 4 percent a year in real terms, with an initial promise to continue this increase for fifteen years, and the prospect of rolling fifteen-year commitments roughly every three years thereafter to cover eventually the thirty-year period. The idea is to use the financial markets for *bringing the crucial expenditures forward.* This is justified, it is held, on the ground that the social rate of return on the MDG-directed outlays will be very high—higher than the interest rate that would have to be paid on the loans raised. Though raised through loans, the actual disbursements in and to developing countries will made in most cases as grants. The loans will serviced by the contributions by the donor governments.

A financial intermediary institution, which will be created by the donors jointly, will raise and service the loans and receive the donors' contributions. However, it will not act as a development bank or an aid agency. Each donor government will select the projects that will be assisted by the payments that its contributions are financing. But these projects will be coordinated among donors who will observe agreed guidelines in both their selection of projects and their aid practice (for example, a priority to poverty-reduction and avoidance of source-tying). An international agency, such as the International Development Association, might be brought in to help with selection and coordination. The operation will be focused on achieving the MDGs. Coordination would make it possible to link a critical mass of aid in any receiving country to health, education, and other anti-poverty programs.

The donor governments will make legally binding commitments for contributions during the relevant fifteen-year periods ahead. These commitments will enable the financial institution to issue bonds with triple-A rating, hence at low interest rates. On these assumptions, the projections for real-terms cash flows show that donor contributions will rise at a constant rate for about thirty years, and disbursements to low-income- and middle-income-country recipients will rise sharply to peak around an annual $50 billion through 2015, after which year they will fall to zero. (Of course, this refers not to the donors' total ODA but only to what is covered by their additional post-Monterrey commitments.)

The IFF proposal has received full support by France and the United Kingdom. Japan, Germany, and Italy have expressed interest but have made no commitment. The Netherlands has doubts on certain aspects. The United States and Canada are not unsympathetic but have not been strongly encouraging.

Two problems

Two main problems of the IFF proposal were identified in the discussion. The first problem concerns the requirement of legally binding commitments. It is doubtful, in particular for the United States, whether constitutional practice makes it possible for public funds to be committed for fifteen years ahead. For example, defense contracts often stretch well into the future, but that contractors often have to take the risk that future governments and legislators would not honor understandings that cannot always be legally enforced. Similarly, holders of government bonds also rely that the government will service its debt even in the absence of a special legislative commitment. But loans entail contracts, and a promise to make a stream of gratuitous payments to a multilateral institution might not come into the same category.

The second problem concerns the sharply peaked time pattern of the projected aid disbursement. It was argued that the terms on which aid can be most usefully employed are not likely to fit such a pattern. In reply, it was said that there was ground for supposing a capacity to absorb aid at this rate until 2015: a World Bank study suggested that two-thirds of the potential recipient countries that seem unlikely to meet their *pro-rata* share of the MDGs without additional aid could usefully absorb an extra $40 billion a year among them. Further, it is hoped that as 2015 approached plans will be made to prevent flows of aid from falling sharply.

It was recognized that some important questions remain to be answered with regard to the governance structure of the new institution, for example, and whether in the last resort an IFF without North America would be viable.

IMF SPECIAL DRAWING RIGHTS

Two possibilities were considered, with the second depending on the first. First, regular annual issues ("allocations") of Special Drawing Rights (SDRs) should be made (there has been none since 1981). The case for this has been publicized recently in an IMF Working Paper by Peter Clark and Jacques Polak (2002). Much of the case was also put by the Zedillo Panel (2001). Second, SDRs received by industrialized countries (roughly 60 percent in every allocation), which are of no particular value to them on the whole, should be transferred for general development uses. This proposal has recently been made by George Soros (2002).

The core of the argument put by Clark and Polak for regular allocations of SDRs is that SDRs provide a costless way of holding reserves. This is because SDR holders receive interest at a rate that is the same as the rate that the original recipient of the SDRs is responsible for paying to the IMF, which is based on the interest rate on short-term securities in a few major currencies. For monetary authorities that can borrow reserve assets at comparable rates, access to SDRs is irrelevant. But in the absence of SDRs many developing countries either have to borrow reserve assets at interest rates above those that they would earn on the assets, or set aside for the purpose capital that could otherwise command a higher social rate of return. In either case holding reserves would have a net cost for them. Access to SDRs enables them to avoid this net cost. Each allocation of SDRs provides monetary authorities in this position with a benefit that is not once-for-all—rather it continues over every year for which the reserves are held. It has been estimated that an allocation of 36 billion SDRs total (such as was recommended by an IMF Managing Director in a recent year) will give a net benefit to developing-country authorities of 1 billion SDRs a year thereafter. Regular annual allocations of the same amount will produce after ten years an *annual* net benefit of 10 billion SDRs (Mussa, 1996, p. 78; cited in Clark & Polak, 2002). Insofar as SDRs enables authorities to hold at less cost the reserves that they would be holding in any case, they would not enable the countries concerned to spend more on imports except to the extent that their *real* national income was higher as a result of this reduction in cost. If the lower cost of holding reserves induced some authorities to hold more reserves, this could in general be expected to contribute to the stability of the international monetary system. Conversely, it can be said that having to borrow reserves at a net cost is less conducive to stability than owning reserves.

Demand for reserves (as a fraction of income) has risen for developing countries and, very markedly, for the emerging market economies, since the mid-1990s. Each addition to reserves, if it not met by additional SDRs, is likely to entail an additional stream of annual costs.

The fact that the framework of beliefs about the workings of the international monetary system that we hold today is different from that on which the original creation of SDRs in the late 1960s was justified does not vitiate the rationale for SDRs. Karin Lissakers explained why she believed the four arguments—legal, moral, efficiency, and historical—deployed by the United States in the early 1990s against further SDR allocations could be answered in the light of the case that had been made by Clark and Polak. An addition to the moral case *in favor* arises from the fact that the currency disturbances of the 1990s, which increased developing countries' demand for reserves, could be attributed to the pressure exerted by the international establishment for capital-account liberalization.

Soros's argument for recycling the SDRs allocated to the industrialized countries' authorities is based on the view that (for the reasons given above) these assets are of no advantage to this subset of original recipients. Provided the authorities that then take or spend these assets recompense the original recipients for the interest that the latter will still have to pay, the SDRs can be passed on without loss by the original recipients. Those that subsequently receive them will in effect be receiving termless loans at low interest market rates. These will be of benefit to them for any use for which their cost of capital would otherwise be *higher*: to add to reserves or to substitute costless (in terms of owed interest) 'owned' reserves for borrowed reserves; to buy back loans that incur higher rates of interest; or to undertake any outlay with a higher social rate of return that would otherwise have to be financed at a higher interest rate. A repeatedly renewed supply of these surplus SDRs supposes repeated SDR allocations. Surplus SDRs can be passed on, without any change in the IMF's Articles of Agreement, to any body entitled to hold them, and this includes all national monetary authorities.

Soros lobbied heavily for his proposal at the time of the Monterrey conference. Though the procedure that he championed was not realized, he regarded himself as partly vindicated by the additional aid commitments made instead, such as the U.S. Millennium Challenge Account.

Speakers recognized that it is very unlikely that the special allocation of SDRs that were approved by the IMF's processes in 1997, but were blocked by the U.S. Congress (which needed to ratify the associated change in the IMF's Articles of Agreement), would eventuate. The U.S. administration had supported the allocation for special reasons, for which the change in the Articles of Agreement was necessary. Apart from the U.S. administration and France, which has generally been in favor, the major industrial countries had opposed further allocations through most of the last two decades. Currently, the U.K. is no longer firmly opposed. The question of whether allocations should be renewed is now reviewed periodically in the IMF. IMF management has not been unsympathetic and has given publicity to the Clark-Polak paper.

Karin Lissakers, who has been heavily involved in the Soros proposal, nevertheless stressed that the resumption of SDR allocations must be advanced for the sake of the benefits resulting from the reduced cost of holding reserves, independently of any possibility of passing on surplus SDRs.

There was no disagreement expressed at the meeting over the advantages of regular SDR allocations. The case for Soros's proposal for recycling the industrialized countries' SDRs—which rests on considerations of just how useful the additional supply of low-interest termless loans for development purposes is likely to be—was not fully discussed but was accepted as entirely possible legally.

INTERNATIONAL TAX COOPERATION

Reuven Avi-Yonah and Ghislain Joseph presented overlapping agendas, the former more concentrated on a few key issues. There was agreement that much action that might be taken in the developed countries' fiscal interest could also be of major value to developing countries. Avi-

Yonah identified two main failings that need to be corrected: tax evasion through capital flight (easy since the major financial centers, led by the United States in 1984, abandoned taxation on interest earned by foreigners); and tax competition. Tax evasion can be addressed through a universal withholding tax on nonresidents' portfolio income. (It has been estimated that $250 billion were shifted from Latin America to the United States as a direct result of the 1984 change.) The problem can effectively be settled by the OECD, which is already moving in the right direction, with peer pressure working to bring the lagging members onside. Addressing tax competition requires an end to all tax preferences to producers on account of foreign ownership of headquarters or production. However, the OECD is unlikely to mobilize action, and some other forum will probably be needed, possibly the UN or the WTO. Much of the incentive to give preferences could be removed, however, if investors' home jurisdictions consistently applied the "credit" method of avoiding double taxation. Avi-Yonah was inclined to play down the problems caused by small tax havens, provided other arrangements were in order. Consideration might be given, he suggested, to compensating tax havens for loss, especially where there is no significant alternative source of income.

Joseph discussed some broader questions raised by globalization: the role for mediation and arbitration; whether the traditional preference of the OECD states for a home-sate basis for taxation was sustainable under current conditions; the possibility of unitary taxation of multinationals' income; and, in either of the last two cases, the working-out of an equitable system of tax sharing.

Both speakers argued for more technical assistance over taxation to developing countries; but it was acknowledged that virtually every World Bank and IMF arrangement is supplemented by such assistance.

Both speakers seemed to accept that there could be considerable gains for developing countries if a comparatively small group of developed countries could agree on measures that were in the clear interests of most of them. Given that at the Monterrey conference an International Tax Organization was clearly placed off the agenda, the speakers and other participants saw the advantage of raising the status and activity of the UN's Ad Hoc Group of Experts on International Cooperation in Tax Matters. The group can be charged with furthering agreement over a number of subjects.

OTHER METHODS

Internationally coordinated taxes for global use

Anthony Clunies-Ross reviewed several possibilities that have been discussed: taxes on arms exports, deep-sea mineral rents, air transport, carbon use, and currency transactions. With regard to each one, he addressed the question, What, if any, are the advantages that might commend the particular tax politically or administratively over a simple additional schedule of national budgetary contributions. Some of these tax bases have been proposed on the ground that they would compensate for negative externalities and that in this way they might become more acceptable. Other possible political advantages of raising revenue globally through a particular form of tax might be that its impact would not be as noticeable; that the processes for imposing it are few and easy; or that a decision to adopt precludes free-riding. Other consideration such as equity and allocative and administrative efficiency might also have a bearing.

A tax on arms exports would rely to a considerable extent on governments' taxing themselves. If the burden fell on the buyers, its proportional impact might well be highest on the poorest countries. Revenue at any rate of tax would fluctuate greatly due to the volatility of the arms market. And, if the tax were imposed at the quite high rate of, say, 25 percent and there had been no impact of the tax on sales of weapons, revenue would still have been as low as $5 billion in some recent years.

Taxing deep-sea mineral rents for global purposes would be fair and could be efficient. Moreover, there is a structure for it laid down in the United Nations Convention on the Law of the Sea, but there has been no extraction yet. In the discussion, doubt was expressed that the agreed arrangements for globalizing rents would be honored.

Taxing either international air transport or carbon use would be cheap and easy to enforce. The main possible drawback of an air-transport tax is that its effect on tourist traffic, the most elastic part of the market, could have adverse effects on certain poor countries that specialize in tourism. A 10 percent tax on both passenger fares and freight is unlikely to yield above $20 billion, even in the absence of compensation to adversely affected poor countries.

A carbon tax would come on top of a maze of existing taxes and subsidies on various fuels. If the agreement was simply that *the equivalent* of a carbon tax at a uniform rate should be delivered for international use by each country, it is not clear that this would be any more acceptable than a schedule of budgetary contributions. Across countries it would be far less fair—indeed, across some pairs of countries it would be highly regressive since a number of poorer countries have a far higher carbon use per unit income than most of the rich countries. However, the distribution would not seem so unfair if the global tax were confined to the richer nations. Even from that limited base, a rate as barely noticeable as the equivalent of $.05 per gallon of gasoline consumed in the United States would raise about $60 billion for global purposes. But would it be any more popular or easily agreed to make a schedule of contributions totaling $60 billion based on carbon consumption than to make one of the same amount based (proportionately or progressively across nations) on income? Conversely, would governments imposing extra taxes on carbon use (or air transport) be any more eager to transfer the proceeds internationally than governments taxing on any other base?

A currency-transaction tax (CTT) as a global revenue instrument is probably best considered regardless of the highly controversial question of any supposed stabilization gain from reducing the general volume of transactions. It now seems that a CTT can be imposed in a cheap and watertight way on wholesale transactions provided only that the five main “vehicle-currency” authorities would cooperate actively and a few others would stand by ready to take part if necessary. Given such cooperation, free-riding will be virtually excluded. (But, conversely, any one of the five could bring the scheme to an end.) At the very low rates that could be contemplated the public will not notice the tax. Because those actually collecting the tax (at negligible administrative cost to themselves) will be a few rich countries—whereas the whole world will bear the burden more or less in proportion to its participation in international transactions—the moral case for running it as a tax for global purposes if it were to be applied at all is overwhelming. The two big obstacles to its introduction are the present state of ignorance about the effect of the tax at various rates on the volume of transactions, and the fanatical opposition it has faced in the United States, notably in the Congress. The first obstacle might be dispelled by further research or a cautiously experimental approach to its opposition; the second, by the gradual dispelling of misconceptions. One calculation shows that imposing a .02 percent tax would have little effect on the base of transactions and might therefore raise $50 billion to $60 billion a year. Higher rates *might* yield much more. But more evidence would be helpful.

In the discussion, doubts were raised whether the CTT could ever escape the legacy of its history: the tax was originally proposed as a means of reducing currency movements in general. It was also proposed that certain global ”bads” such as the arms trade bear so particularly heavily on poor countries that there is an obligation to provide compensation to these countries from the proceeds of taxing the trade. With regard to the carbon tax, it was suggested that it might be easier to mobilize an additional tax by imposing it on the extractors of hydrocarbon fuels.

Voluntary and market methods

Iain Kinniburgh considered the possibilities of tapping private donations for development; ways to encourage migrant remittances and to safeguard their value; and opportunities for the United Nations to raise funds through lotteries and premium bonds.

Private charity has been of the order of 1.5 percent of income in the United States, and of smaller proportions in Western Europe. Very small fractions of this in the United States but larger shares in Britain and Germany have been directed overseas. Charitable foundations have tended to concentrate on domestic causes, but there have been striking exceptions such as Ted Turner's $1 billion for financing a UN foundation, and the Gates Foundation's $3 billion in donations over the last several years to world health causes alone. Fiscal incentives, publicity, and, perhaps even more important, the development of appropriate institutions, are possible ways of encouraging moves of this kind. Global partnership-type funds—government-multilateral-private-NGO—such as have emerged recently, especially for health objectives, may provide the needed flexibility to attract significant donations from large private fortunes.

Migrant remittances are more important as a source of flows to developing countries as a whole than ODA, and more important in some regions than foreign direct investment. In some countries remittances amount to more than 10 percent of income. Yet the circumstances in which they occur are often such as to discourage them or reduce their value. Host governments have suggested several moves to encourage them and maintain their value: legalizing migrants' status to make it easier for migrants to use formal cash-transfer mechanisms; licensing nonbank transfer institutions more readily; encouraging cooperation between banks on the two sides to reduce currency-exchange costs; and the creation of bonds expressed in a low-inflation currency or currency basket, in which migrant funds could be accumulated.

Official lottery sales per year were recently estimated at $126 billion. A UN lottery could be in effect a chain of additional national lotteries. If part of the net proceeds of this chain go to the United Nations and part is left at the disposal of national authorities, such degree of competition with national lotteries *might* be tolerated. Alternatively, the United Nations could run a single Internet lottery, which will be less open to national objections. The United Nations might also issue a premium bond on the British pattern, which would give the same *expected* yield as an ordinary bond but large prizes to holders determined by lot. This last option would be a genuine savings instrument for the bondholder, but for the United Nations it would be a source of loans rather than grants. There would be no competition in most countries for this device.

In the discussion, other voluntary ways were suggested in which the United Nations might raise funds directly from the public: issuing credit cards, selling additional stamps, collecting surplus free air-miles. It was argued that even if these approaches raised only small amounts, they could have a valuable educational function.

GENERAL DISCUSSION

The discussion emphasized the huge untapped pool of resources in private fortunes; the need to keep on reminding donor governments of their commitments and promises; the strong moral case for compensating developing countries on ground of the obstacles to their development that the world has left in place (such as agricultural protection); the lack of high-quality advocacy (directed at the layperson) of development-finance needs; and the need for moral and intellectual leadership in development matters comparable to that provided by the Brandt Report thirty years ago. This need for leadership might be provided by a combination of a few highly respected leaders currently in power from developing and developed countries—or by a designated group of independent wise persons able to speak directly to the public.

CONCLUSIONS

Several lessons arose from the conference or were reinforced by it:

1. Obstacles to sources of development finance may arise from misperception, ideological prejudice, or inertia, rather than from rational interest.
2. Several positive-sum possibilities for development finance emerge that promise no losses, or even promise gains, to the public finances of industrial countries. These are potentially soft targets for joint lobbying by developing-country governments, and for argument and campaigning by NGOs and individuals.
3. Lobbying, argument, and campaigning for the use of particular devices as means of financing agreed development goals—even where those devices do not appear on political grounds to have strong prospects of being adopted in the near future—can be valuable in maintaining a sense of urgency over the need for additional finance and in challenging the major economic powers to find some way of providing it.
4. There is a need for insistently reminding governments and peoples of the obligations they have accepted, and for presenting them with minimal ethical claims of responsibility in the socioeconomic field.
5. Recent examples have drawn attention to the large possibilities for financing high-priority development goals if a comparatively small fraction of the wealth in big individual private fortunes could be attracted—and hence the importance of smoothing the path of funds from those sources into development finance.
6. There is a number of ways in which the United Nations could raise modest amounts for key development objectives from the public without the need for active government cooperation.

PRIORITY OBJECTIVES FOR LOBBYING, ARGUMENT, CAMPAIGNING, AND RELATED INTERNATIONAL INSTITUTIONAL DEVELOPMENT

Soft targets for intergovernmental action—realizable tomorrow if not today

There are several soft targets: positive-sum moves with benefit to many countries and negligible harm to any one. The following two items have strong claims:

First, aim at the resumption of regular Special Drawing Right allocations by the IMF. The benefits to many developing countries will be tangible and cumulative. The only just-arguable inconvenience will be to the reserve-currency countries, in the form of a slight abridgment in the rate at which they will be able to make short-term loans to foreign monetary authorities. Though the balance of political forces seems now to be against regular SDR allocations, the opposition is less a matter of interest than of habit and ideology, fortified perhaps by the thought that it does not matter either way. Campaigning and lobbying, with France and possibly Britain onside and the support of the Clark-Polak paper's argument, might be enough to break down the ramparts.

This would not lead automatically to the Soros scheme for diverting SDRs into regular batches of low-interest loans for development, and it must be advanced on grounds independent of that possibility. But, given the necessity of abandoning the 1997 SDR package, we will not get anything like the Soros scheme without further allocations. Once there are regular allocations, voluntarily redistributing the SDRs received by high-income countries may seem quite an easy step to take. Transfer of assets derived in the way Soros suggests, even on the (necessary) assumption that interest at the SDR rate would have to be paid to the original recipients of the SDRs, appears suitable for reduction of the burden of certain higher-cost poor countries' debts (through exchanging low-interest termless credit for existing more burdensome obligations), for further costless additions to reserve holdings, or for socially productive investments that would otherwise have to be financed at higher rates.

Second, press for the most accessible of the elements of proposed tax cooperation for reducing evasion, avoidance, and tax-degradation. Much of this would be of fiscal benefit to both poor and rich countries. Of the elements crying out for cooperation, probably the softest target and also the biggest prize would be one of several possible devices for ensuring that foreign portfolio investors in the markets of the major financial powers are not able to escape being taxed on their earnings in both their home states *and* the states in which their income is derived. One such device, probably the simplest, would be a universal withholding tax, at a sufficiently high rate, on investment income payable to nonresidents. And the simplest of the various possible arrangements to provide against double taxation on this income would be to make this tax creditable against tax due on the same income in the investor's home state. At a high enough rate the withholding tax would remove the evasion motive for capital flight from developing countries. Subsequent sharing of the revenue between source state and home state is not out of the question.

It is encouraging that member countries of both the EU and the OECD have been negotiating toward similar devices with this intention. Realization of an effective global scheme of this kind requires now the push of public attention and advocacy. Its prospects, however, could also benefit from some steering on the part of the highest-level tax-oriented body the United Nations is allowed to muster. An achievement on this one vital issue might pave the way for others.

Building on existing commitments: the International Financing Facility

The International Financing Facility proposal is designed to build in recent commitments for additional aid and, moreover, to build on them in order to secure much larger flows between propounded now and 2015. Whatever doubts there may be about its political viability in the precise form in which it was proposed, the impetus provided by its sponsorship by Britain and France should not be lightly abandoned. Campaigning for the IFF proposal is, first, directed to the very valuable prize of firm medium-term additional-aid commitments. Second, the proposal has the further (educational) advantage that it is inseparable from the Millennium Development Goals and from the related \$50-billion-a-year additional-aid target, and that its advocacy helps to keep these objects in the public view. Lastly, it also has the full backing of at least two G-7 powers.

One element that puts the IFF in doubt is uncertainty whether there will be future commitments from enough of the major donors, and in firm enough form, for the necessary volume of high-rated loans to be raised in the manner envisaged. It seemed clear from the present discussion that "legally-binding future commitments" is a concept that not all the potential donors could easily accept. But all of them are in the habit of issuing bonds, which they of course service for years into the future and which are highly rated by the markets. If binding explicit commitments from all potential major donors proved impossible to achieve, it might be fruitful, as an alternative, to ask the potential donors to issue the relevant volumes of bonds individually, with the proceeds still to be used under whatever ground rules the donors corporately agree to follow. Each donor country's own credit will then be at issue in maintaining the annual payments. Each donor country will certainly service the bonds is has issued. The lenders might well find it even more reassuring to buy government bonds from the United States or Japan or Norway—a thoroughly familiar procedure, with the clearest possible expectations of the issuer's behavior—than to buy bonds from a novel multilateral fund.

Arguably, the original version of the IFF, with its clear multilateral element, would be better. It is possible that under it the donors would more readily agree to coordination over the spending of the proceeds, and that they would be more strongly constrained by peer pressure to fulfill long-term commitments, since they would have bound themselves in a scheme based on explicit and interdependent long-term obligations. But, if promises in the necessary form from all the important potential donors cannot be obtained, it might be worth exploring the mooted alternative as a second-best. This suggestion, which is prompted by the conference discussion, is put forward as a possible way of escape from what might otherwise be an impasse for the IFF proposal.

The longer term: what might be acceptable in five or ten years' time

There will be a continued need—in a form that is disposable for meeting the most urgent world priorities—at least several tens of billions of dollars annually over and above the amounts provided in bilateral and multilateral aid hitherto together with what has been promised under the Monterrey commitments.

If there were any prospect that this would be provided by an agreed schedule of budgetary contributions, this method would be best because it could be made equitable and (if national authorities so chose) efficient. Yet, for inescapable political reasons, extra contributions on the necessary scale, internationally disposable, seem unlikely in the next decade or so. So we have to look for comparatively "easy" alternatives that, because of their intrinsic character (politically, administratively), just might come good sooner.

Once myths and historical hangovers are dispelled, a general currency-transaction tax has objective grounds for being considered highly practicable and potentially politically acceptable. Its administration would be cheap and simple and make small demands on intergovernmental cooperation. Its burden would be widely and not inequitably dispersed as well as not readily noticeable.

Even if the myths and hangovers take five or ten years to dispel, this would give us time to learn more on the tax's likely effects at various rates on the volume and character of the transactions it would be taxing. Such knowledge will give valuable pointers to the revenue possibilities and will clarify the rates of tax at which significant side effects (good or bad) could be avoided. It could serve to make the detailed options, and the case for them, clearer. At the same time, there is enough ground now to advance the case for a universal CTT provided it is applied in the beginning experimentally at an extremely low rate (say, .01 percent).

But, if it is to have the best chance of succeeding with those it must convince, the case should be divorced from stabilization considerations. The relevant stabilization uses of forms of CTT (temporary, ad hoc, and unilateral) may be, and must be, considered entirely independently of a universal revenue-motivated CTT, which must inevitably be imposed at a miniscule rate. (The finding about the effect on the volume of currency transactions of any particular rate of CTT that would be most favorable to its revenue use is that the impact was close to zero. Any significant effect could be construed as either favorable or unfavorable and would be controversial.) A popularly accessible case for the revenue use of a CTT is not hard to make. Little sophistication is needed to see the prima-facie potential of a CTT for global revenue: a base of $300 trillion or so per year may raise useful amounts at infinitesimal rates. There is no need for support from populist arguments, which implicitly assume that all currency exchanges are prima facie nefarious.

Pressing the argument for a tax at, say, an initial rate of.01 percent as a contribution to meeting the $50 billion target can help to keep that goal on the agenda and at least maintain the challenge for OECD governments to find other ways of reaching it.

Moves through which the United Nations could enter the market or appeal to the public

Several possibilities were mentioned—an Internet lottery, premium bonds, credit cards, stamps, a repository for air-miles—any or all of which might be undertaken. None is likely to raise billions, but each could have educational value concerning the need and measures to deal with its implementation and costs. Each might be attached to some specific element of global spending: health care, peacekeeping, water and sanitation, free primary schooling. This might help to keep the variety of needs in people's minds.

Institutional developments

The following four items are not immediate prescriptions. They represent needs that appear to follow from discussions at the conference. Meeting the needs will demand further thought and negotiation.

First we need a structure, or set of structures, that will provide a vehicle for attracting significant funds from large private fortunes into global-development ventures. It remains to be seen whether the new style of multi-sector funds—such as the Global Fund to fight AIDS, Tuberculosis and Malaria—involving public-private-NGO partnerships, provide an adequate model.

Second, a number of the channels of funding considered (such as the Soros proposal for SDR redistribution or any integrally global tax such as one on currency transactions) suppose by implication that there is a governing framework for sources of revenue available for general global development purposes: that there is some body to undertake at least the first stage of administering and allocating the proceeds. If we were dealing with a really large sum—more than the annual budget of the UN, say—this would present a problem. Someone would have to decide what to do with it, where it would go in the first instance. For political reasons this someone could probably not be simply the UN Secretariat or the World Bank Executive Board. Who could it be? Until there is an acceptable answer to that question—a constitutional answer that attracts sufficient trust—no really large source of revenue requiring interstate cooperation for its generation is likely to be approved. (The IFF proposal avoids the question by letting the individual donors decide. But there may be otherwise eligible revenue sources for which individual state donors are not so readily identified.)

*Third, there are good reasons for thinking that international tax cooperation would proceed more effectively if there is a permanent international secretariat with a brief for promoting the negotiation necessary to pursue certain agreed objectives. An International Tax Organization under that name is not yet on the agenda. But we might hope to have within the United Nations a modest entity that is equipped for the task as well as possible. A next step would be to upgrade the Ad Hoc Group of Experts on International Cooperation in Tax Matters by making it formally an intergovernmental body; holding its meetings more frequently, at least annually; and charging it with the strengthening of international tax cooperation, in particular capacity-building in development and transition economies on international taxation issues, blocking channels of evasion, stopping harmful international tax competition, investigating the feasibility of mediation and arbitration procedures in international tax disputes, and exploring the possibility of a global unitary tax system applicable to internationally operating businesses.

Fourth, there is arguably a need for a small group of highly respected persons without current executive responsibilities—possibly for the most part former leading statespersons—with appropriate representation from rich and poor countries, adequately staffed at a high technical level, to act as an informed conscience of the world community in socioeconomic matters: reminding governments of the commitments they have made, pointing to the implications of international resolutions, emphasizing positive-sum possibilities, and representing the interests of the weak. Ideally, such group could be formally given a consultative role. Its members would need to be visibly independent of governments and multilaterals. Finding a way of selecting them that would make this independence possible while also enabling them to be recognizably representative will present a challenge.

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