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International financial mechanisms for development: the Tobin Tax and the “International Finance Facility”

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Introduction

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In the debate over how to finance the Millennium Development Goals, most eyes have focused on potential international sources that could help in obtaining additional funds to aid development. In this booklet we present a synthesized analysis of two of the instruments that have been under discussion: *The International Finance Facility* (IFF) and the Tax on Currency Exchanges, better known by the name of its first proponent, James Tobin, as the *Tobin Tax*.

In this introduction we wish to make some remarks on the texts that follow. These comments have been shared with the author. First, we should note that the texts have a strong technical-financial component. The attempt to analyze instruments of such characteristics with a minimum of rigor almost inevitably leads to the use of jargon and complex types of analysis. We believe that in reviewing these mechanisms, the technical contribution of a finance specialist is very important. Particularly original and important in this regard is Manfred Nolte's minute analysis of the IFF, an instrument that he explores in depth, providing an insightful explanation of this mechanism in a world where, despite information saturation on all sides, it is not easy to uncover the fine print. Manfred has done this for us.

Our second comment takes us back to a couple of ideas that we pointed out in booklet number zero of the ALBOAN collection on the MDGs. First of all, the search for international financing cannot be an excuse not to broach the issue of obtaining resources from inside the country (nor can this latter be a justification for the parsimoniousness of wealthy countries toward low income countries). And the attainment of internal resources leads us to issues such as the distribution of wealth within countries, wealth redistribution mechanisms (through progressive taxation systems), the responsibility of foreign business investments and activities in the countries of the South, the mechanisms in place to convert local natural resources into human development for the country, the role of elites within countries of the South, and their connection with elites in the North, and so on – a long list of questions of great importance that brings us closer to the reality of North-South relations.

And in connection with the previous point, the debate on the financing of the MDGs should not lead us to think that the solution to the problem of poverty is exclusively related to economic resources. These are, without doubt, very necessary. But as we pointed out earlier, the solution to poverty will not come by way of technical solutions accompanied by financial resources. The issue is a political one: how power is distributed in the world among different social groups, and what mechanisms and institutions exist or should exist to balance the scales and not perpetuate such an asymmetric situation.

With these clarifications, we now invite the reader to enter the exciting world of international finance.

International financial mechanisms for development: the Tobin Tax and the "International Finance Facility" (IFF)

Manfred Nolte[1]

I. International Finance Facility. A short summary of the proposals

1. Origins of the Proposal

As with other new instruments for financing development, this proposal is based on the extremely high risk that the commitments acquired in 2000 in relation to the Millennium Development Goals (MDG) will not have been reached by the end of the projected period (2015). The original proposal dates from 2003[2] and its authorship is unequivocal: Gordon Brown and his team at the British Treasury. It was superseded in 2004 by another, more systematic proposal which now constitutes the basic document for interpreting the authors' reasoning. We will call this last resource Basic Document/International Finance Facility (BD/IFF).[3]

[1] The author, Manfred Nolte, member of ALBOAN, has published the most detailed analyses of both instruments in other specialized journals. Here is presented a synthesis of his analysis. The two articles are *Gravar las Transacciones en Divisas: Límites y Posibilidades para la Financiación del Desarrollo*. Boletín de Estudios Económicos. Universidad de Deusto. Bilbao April 2007, No. 190, vol.6; and *La Titulización de la Ayuda al Desarrollo*. Revista de Fomento Social. Fundación ETEA para el Desarrollo y la Cooperación. Universidad de Córdoba. June 2007.nr.246.vol 62.

[2] HM TREASURY & DFID (2003 a), *International Finance Facility.* www.hm-treasury.gov.uk/documents/international_issues/int_gnd_intfinance.cfm

[3] HM TREASURY & DFID (2003 a), *International Finance Facility.* www.hm-treasury.gov.uk/documents/international_issues/int_gnd_intfinance.cfm

2. Characteristics of the Mechanism

The IFF employs a widely used practice in international financial markets: securitization. Securitization is simply the conversion of an entity's balance sheet assets into fixed (or variable) interest securities ready to be placed in the market as bonds for investors. These bonds produce liquidity for their originator through a Special Purpose Vehicle (SPV) known as a Securities Fund.

The instrument frontloads aid from donor countries. The concept of frontloading implies in itself that the IFF does not create new or additional resources. It simply advances them. Based on long-term donor commitment, the IFF would leverage capital from international markets through the issuing of bonds. Financed by donor countries, the IFF would be responsible for repaying bondholders, including debt service, commissions, and business and maintenance costs.

Donor countries will be able to negotiate a series of *high level principles* for the assignment and disbursement of aid, which will further increase its effectiveness:[4]

- Resources to be untied to contracts using suppliers from the donor countries.
- Resources to be provided to predictable programmes of at least three years duration.
- Resources will be disbursed in the form of grant donations to a wide range of recipients.
- Resources geared to very low income countries. Too much relative aid is still being directed to countries with relatively high income levels.

Table 1 concisely summarizes the structure of the IFF as outlined in BD/IFF.[5] It shows the commitment of developed countries to a series of annual payments. These payments would guarantee 15-year programmes of the IFF. Table 2[6] illustrates a hypothetical programme of 50 billion per year from 2010 and, simultaneously, services the debt with constant nominal payment streams. After 2018 part of the funds allocated to Official Development Assistance (ODA) will be applied to the repayment of outstanding Bonds, so aid reaching the South will decrease.

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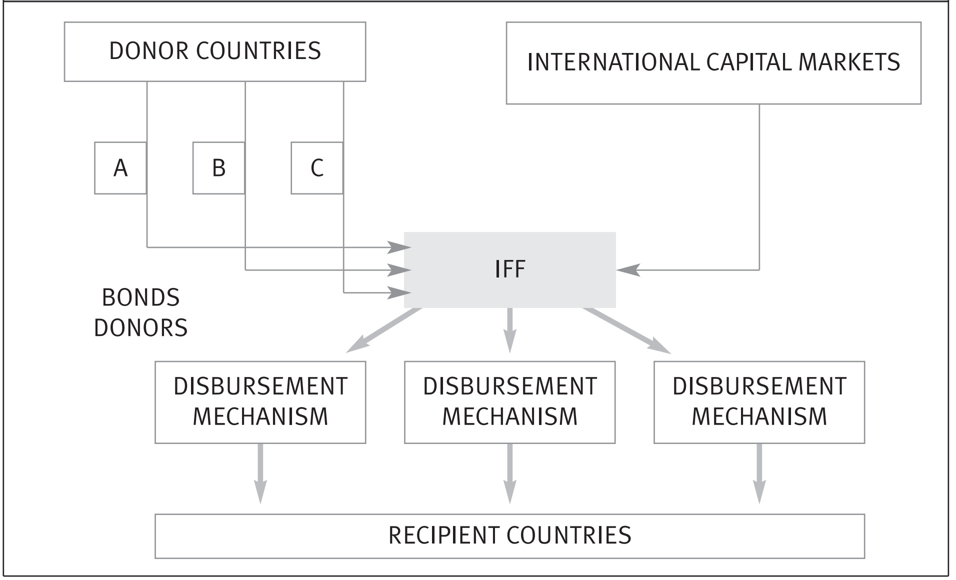
[4] Ibid. Paragraph 3.9.

[5] Ibid. Paragraph 4.1.

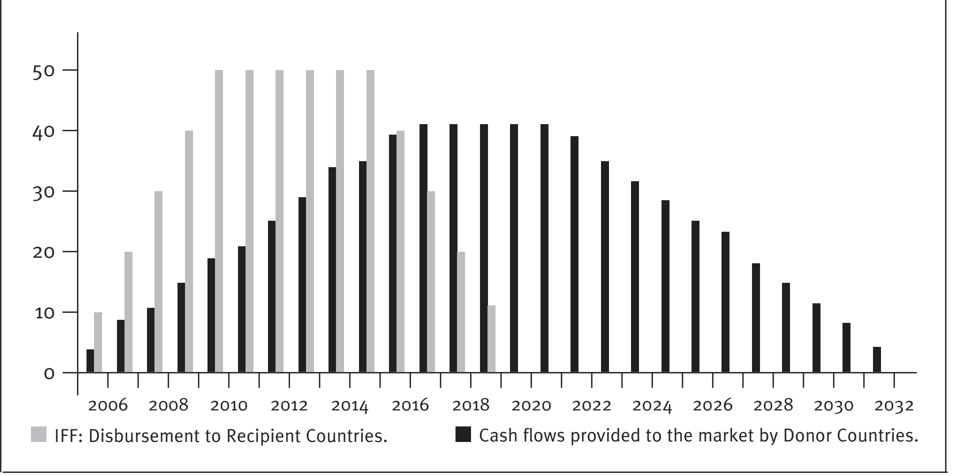
[6] HM TREASURY & DFID (2003 b), *International Finance Facility. A Technical Note*. Paragraph 34. www.hm-treasury.gov.uk/documents/international_issues/int_gnd_intfinance.cfm

Table 1: general outline of the IFF



Source: British Treasury.

Table 2: activation of the IFF resulting total of the Official pro Development Aid (initials AOD in Spanish)



Source: British Treasury.

Some additional features have special importance:

- *The High level financing condition*[7] establishes that the pledges of the donor countries will be subject in all cases to recipient countries' meeting the fundamental conditions of good governance, and especially that all recipient countries not be in arrears with the International Monetary Fund (IMF) and other IFIs.
- The donor countries would be individually not jointly responsible for payments to the IFF.
- The IFF would channel its funds through already existing bilateral and multilateral mechanisms.

Inasmuch as ODA responds to a moral imperative that is socially desirable and politically endorsed in repeated public proclamations, we can legitimately claim that the IFF amounts to the securitization of a moratorium on the part of countries in the North in relation to countries in the South. A case in point is the G-7, whose ODA contribution in 2003 amounted to a mere 49.5 billion dollars, nowhere close to the 168.5 billion dollars that would have been allocated had it contributed 0.7% of its Gross Domestic Product (GDP). We do not think it inappropriate to see the difference between the two numbers (119 billion dollars) as the G-7's annual development moratorium, a figure which should be *restored* and not just advanced.

3. Technical viability: the process of the securitization of assets

Gordon Brown's proposal does not explicitly state in its official publication (BD/IFF) that the IFF must be an SPV, nor that the funds advancement process that it describes must take the form of a securitization mechanism.[8] The fact that this model is not expressly referred to may explain some of the ambiguities and technical inconsistencies of the proposal.

Table 3 explains the IFF mechanism in terms of market strategies. With the assets from Future Commitments from Donor Countries, the IFF as SPV issues bonds that

[7] This condition, *high-level financing condition*, is a clause in the possible contract guaranteeing the bonds, and as will be shown later is one of the weakest points of the IFF.

[8] Available at www.odi.org.uk/speeches/IFF is a talk given by members of the Treasury (Stephen Pickford) at a Seminar organized by ODI on May 13, 2004. It alludes to the fact that the long term commitments of the donor countries will be securitised in international markets.

are guaranteed and traded by a banking syndicate. One or more stock markets guarantee the liquidity of the bonds. Finally, with the monetary product of the bond issue, the issuer –the IFF– would dispose of the necessary funds to provide the proposed aid to the countries of the South.

There is some ambiguity in the words "Borrowing to invest is a well-established domestic and development principle. All donor countries borrow to invest in future prosperity, while the World Bank is a long-standing borrower in the capital markets"[9] A securitization in itself is not a bond issue, nor the taking of a loan or credit. When taking a loan the borrower convinces the lender of its capacity to generate income in order to repay the principal and interest on the maturity dates. Securitization does not respond to abstract borrowing capacities or income-generating capacities of the borrower.

Securitization in general, and the IFF in particular, firmly discount (that is, *sell*) through a bond issue a credit right guaranteed by a formal pledge. What is more, the face value of an ordinary bond issue is permanent. Conversely, by mobilizing the credit right and selling it to the SPV, the assignor – in our case low-income countries – obtains liquidity in exchange for the bonds that cover the right to credit. By exteriorizing or exporting the credit right in exchange for cash, the SPV is the new holder of the credit, and any claim upon the original assignor disappears, abandoning what under some forms of law is known as the *subject to final payment* clause.

In addition, the Management Company and the Securitization Fund are usually the same thing. In order to avoid new bureaucracies and the accumulation of unnecessary costs, the IFF is not established as a new Agency for the assignment and distribution of funds. Those important tasks are to be carried out through channels known to be technically competent, whether bilateral in nature or already existing multilateral institutions such as the IMF, World Bank, etc. Later, however, the BD/IFF states that in this Entity –referring to the IFF– the topic of governance should be reconsidered in order to give greater prominence to the aid recipient countries, a goal that should be taken extremely seriously, since they are the ones that securitize their credit rights to the donor countries.

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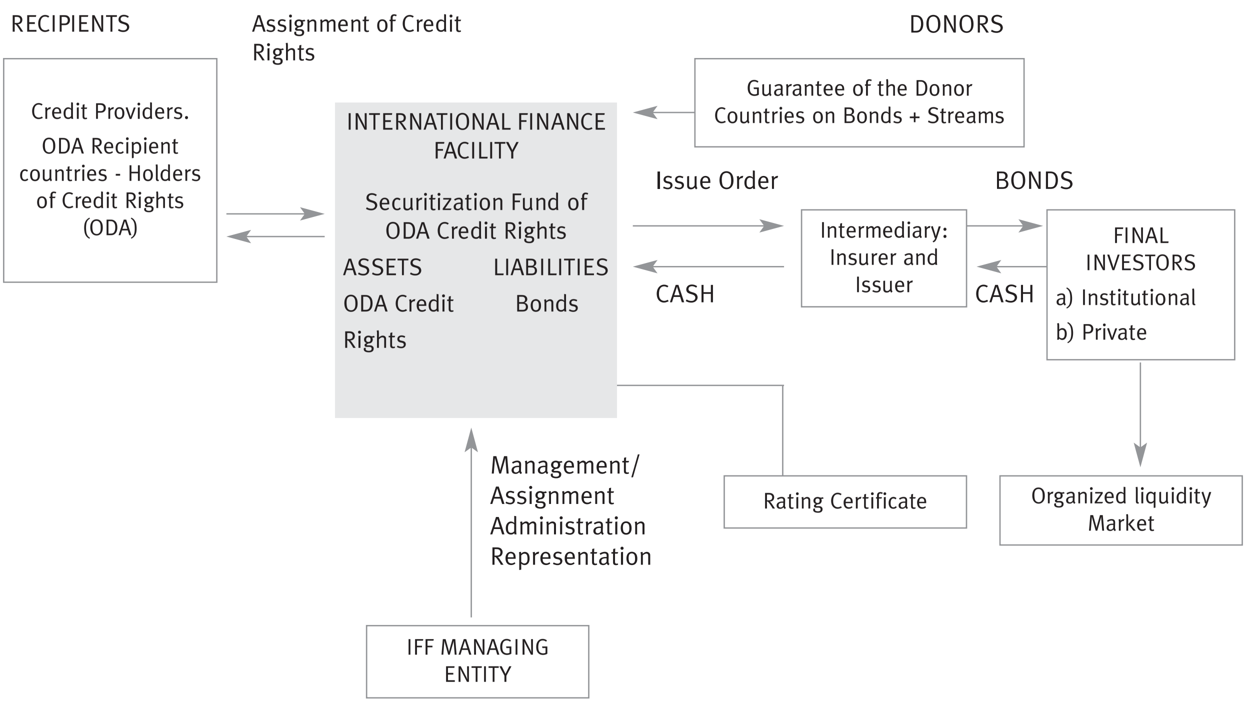
[9] HM TREASURY & DFID (2004), op. cit. Paragraph 3.4.

[10] In September, 2005, at the Millenium+5 Summit, a number of donor countries reaffirmed their commitment to achieve the MDGs, increasing their ODA and implementing new financing mechanisms. The IFFIm is one of the results.

Table 3: The Mechanism of Securitization of the Moratorium on Development (IFF)



Personal source and interpretation.

4. Political Viability[10]

November 7, 2006 saw the launch of an Inaugural Financing, or *Pilot Project* of the IFF mechanism, called IFFIm (International Finance Facility for Immunisation).[11] The basic sources of the bond issue are available on the web site of the IFFIm[12] and in the Official Prospectus (PR/IFFIm). Copies of the Prospectus can be obtained through London Citicorp,[13] the Luxembourg Stock Exchange,[14] or the IFFIm website.

Since the IFFIm is a symbolic manifestation of a long-term project, it represents an important political development and allows us to evaluate the opening performance of the instrument with a view to future bond issues.

The primary objective of the IFFIm is to provide funding for immunisation and/or vaccination programmes of the Global Alliance for Vaccines and Immunisation (GAVI) in 70 of the world's lowest income countries.[15] IFFIm will provide US$4 billion for this purpose between 2006 and 2015.[16] The fourth Millennium Goal (MDG4) calls for a two-thirds reduction in the rate of infant mortality for children under the age of five by 2015. Immunisation programmes for children under the age of five can contribute significantly to achieving Goal 4. GAVI has been working since 2000 to save the lives of children and protect people's health through the generalized use of vaccinations in low-income countries.[17]

There was a bond issue of up to 1 billion dollars within a 4 billion dollar programme, with an issue date of November 14, 2006 and a maturity date of November 14, 2011; an interest rate of 31 basis points over the underlying bond

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[11] International Finance Facility for Immunisation Company. Issue of US$1,000,000,000 5.00 per cent. Inaugural Notes due 14 November 2011 under the Global Debt Issuance Programme.

[12] www.iff-immunisation.org

[13] Citicorp Trustee Company Limited, Citigroup Centre, Canada Square, London E14 5LB.

[14] www.bourse.lu

[15] PR/IFFIm, p. 6. GAVI was created to respond to and combat decreasing rates of immunization in low income countries. GAVI is a public/private partnership created by permanent members (WHO, UNICEF, the World Bank, the Bill & Melinda Gates Foundation, and the GAVI Fund), rotating government representatives from wealthy and low income countries, and representatives from the vaccine industry, and health and research agencies. Since 2000, GAVI has committed over 1.6 billion US dollars to over 70 countries in the South. PR/IFFIm p. 8. www.gavialliance.org and http://vaccinealliance.org

[16] PR/IFFIm, p. 7.

[17] The WHO estimates that 27 million children are not vaccinated against the most common childhood diseases. As a result between 2 and 3 million children die each year due to easily preventable diseases. The Organization believes that the resources of the IFFIm could lead to the vaccination of over 500 million people in the next 10 years with the goal of preventing the death of 5 million children and 5 million adults. www.gavialliance.org

(5% fixed per annum); issue price 99.916%, yield 5.019%; redeemable at par value at maturity; and listed on the Luxembourg Stock Exchange. Issuer (IFFIm) and bond rating: AAA/Aaa/AAA.[18]

The IFFIm process is outlined in Table 4[19], which is very similar to that described in Table 2, and illustrates the cash flow between IFFIm, Grantors, and other participants, which as stated before allows the system to be defined as securitization. This is also recognized by the Banking Regulator and by Eurostat.[20]

Together with the Issuer (IFFIm) and the direct recipient of the funds (GAVI Fund Affiliate), the World Bank has been named IFFIm Treasurer. Its obligations, among others, include the following: To evaluate the financing capacity of IFFIm to undertake the vaccination/immunisation programmes presented by GAVI Fund Affiliate; to evaluate periodically the financing capacity of IFFIm to assume its obligations relative to programmes it previously approved, and concerning the bonds in circulation; to provide accounts management services; to recommend IFFIm financing, risk management, investment management, and liquidity policies; after approval of these policies, to perform all the financial transactions called for; to advise the IFFIm on all aspects related to bond issues under a specific programme; as guarantor of the solvency and rating of the Issuer and issues, it will monitor the gearing ratio[21], which in the initial pilot project should not exceed 100% of the net present value of the quotient arrived at by dividing IFFIm's liabilities minus liquid assets by financial assets, that is the funds as pledged in the Grant Agreements.

The Programme Donors to the initial offering are France, Italy, Norway, Spain, Sweden, and the United Kingdom. All have signed a Grant Agreement in which they will provide the IFFIm with the sum of 4 billion dollars between October 31,

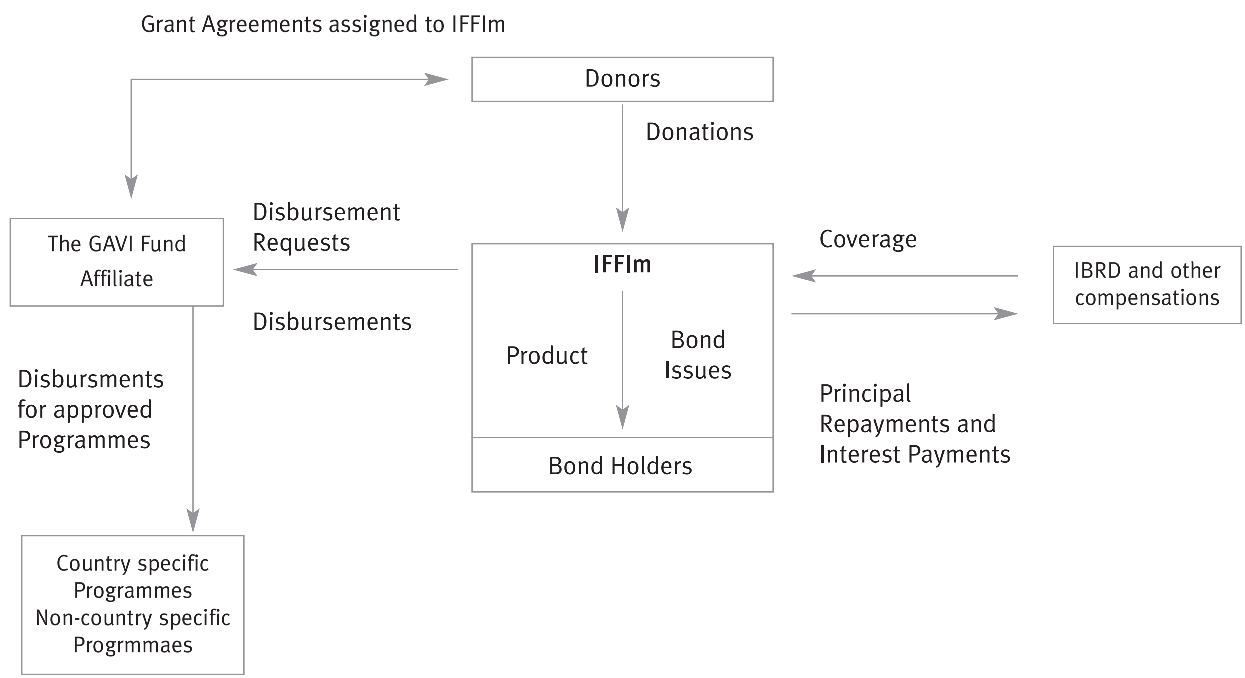
[18] Eurobond Format 144a, Reg. S; Clearing Systems: Euroclear, Clearstream, and DTC; Code ISIN: XS0274548287.

[19] PR/IFFIm, p. 16.

[20] On August 2, 2005 Eurostat established in relation to the IFFIm a) that the IFFIm should be classified as an "international organization" under "the rest of the world" heading, and b) government donations would be classified as current payments and recorded when they are actually made and affecting at that moment the net indebtedness of the public sector. Cf. Eurostat news release 98/2005, August 2, 2005. http://Europa.eu.int./comm/eurostat/. This results in pledged donations not being recorded at the time of the agreement but at the moment of successive effective payments, thus relieving the debt ratios of the donor countries. The resolution states that it has not "set a precedent" for future IFFs. On the other hand, on October 24, 2006, the Basel Committee on Bank Supervision announced that bank supervisory and regulatory entities could authorize a 0% weighting of the positions of the banks in the IFFIm. (Basel II Framework, June 2004) PR/IFFIm, p 7.

[21] "IFFIm Gearing Ratio Limit". PR/IFFIm, p. 92.

Table 4: activities of the IFFIm



Source: RP/IFFIm.

2006 and October 15, 2026.[22] Brazil has recently joined the Donors group and the Republic of South Africa has announced its intention to pledge additional funds. These countries are the leaders and set the initial standard to be followed by the world's countries in the quantitative terms outlined in Gordon Brown's proposal.

The Grant Agreement, which includes a guaranteed timetable of future aid streams, is the key point of the securitisation function. Under this Agreement, the issuer provides cash flows that it dedicates immediately (frontloading) to alleviating poverty. The instrument exists and is operational: Save more lives today – that is the central message[23].

Table 5 establishes some parallels between the ambitious theoretical framework of Gordon Brown's IFF and the Initial Offering of the IFFIm.

5. Conclusions

Highlights of the Project

The first achievement of the British initiative is the wake-up call that it sends to the international community of wealthy countries, in order to obtain supplementary financing that will bring us closer to reaching the MDGs. It rouses consciences and promotes competing alliances, in and of themselves promoting a positive dialectic, in principle extending the political commitment undertaken in Monterrey 2002.[24]

Second, the IFF would distribute more aid funds in the very short term, therefore having a very positive impact effect. Another, quite different thing is the comparison of what would have otherwise been distributed between 2007 and 2017.[25]

[22] France 372,800,000 euros; Italy 473,450,000 euros; Norway 27,000,000 dollars; Spain 189,500,000 euros; Sweden 276,150,000 Swedish krona; and United Kingdom 1,380,000,000 pounds.

[23] A collection of additional attributes that appear in the PR/IFFIm corroborate this theory, even when the express mention of securitization is avoided. Thus, the Bonds are the exclusive obligation of the IFFIm (PR/IFFIm, p. 26); claims against the IFFIm for the principal and interest of the Bonds are limited (PR/IFFIm, p. 26); the Bonds are exclusively corporate obligations of the IFFIm (PR/IFFIm, p. 26); the assets of the IFFIm are limited (PR/IFFIm, p. 26); the IFFIm bears no responsibility for the final payment to the Donors (PR/IFFIm, p. 27); the Financial Service of the Bonds depends on the solvency of the Donors (PR/IFFIm, p. 27).

[24] BD/IFF, p. 3.

[25] WORLD DEVELOPMENT MOVEMENT (2005), *The International Finance Facility. Boon or Burden for the Poor?* p. 9, paragraph 3.2. www.wdm.org.uk/resources/reports/other/theinternationalfinancefacility01022005.pdf

Table 5: comparison between Gordon Brown's General IFF Proposal and the Pilot Project of the IFFIm		
Description	**IFF (British System)**	**IFFIm (GAVI)**
Programmes and Bond Issues.	Programme maturity 2030. Bond Issue over 15 years.	10 year Programme (2006-2015 inclusive). Bond Issue over 5 years.
Annual Disbursement from the Bond Issue.	50 billion dollars.	1 billion dollars.
Initial Issue Date.	2005 or sooner.	2006.
SPV (or Issuer).	Undetermined.	"International Finance Facility for Immunisation Company." A Limited Liability Company and Non-profit Foundation based in England and Wales. Its only title holder is GAVI.
Rating of the Issuer and the Issue.	Maximum.	Maximum: AAA/Aaa/AAA.
Coupon or cost of the Issue.	Comparable to Sovereign bond issues. (Prime).	Comparable to Sovereign Bond Issues. Fixed Coupon 5% annually, resulting in 36 basis points over the underlying American Treasury bond for the same term (5 years). Flat 5-year Euribor as of the date of the Issue.
Managing Entity.	Undetermined, using Multilateral Organizations already in place.	IFFIm Treasury Manager: World Bank.
Guarantees and Donations.	Current Donations and Guarantees on future amounts.	Grant Agreement: Payment agreement over 20 years, with a first pilot securitization in 5 years.
Donor Countries.	A wide number of countries from the North	United Kingdom, France, Italy, Spain, Sweden and Norway.
Issuer.	IFF.	IFFIm assignee of all of GAVI's rights. The Product of the Issue in first instance passes to GAVI and then to countries in the South.
Banking Syndicate.	As usual in international markets.	As usual in international markets.
Quote.	First Level Stock market or markets.	Luxembourg Stock Market.
Final Beneficiaries.	Countries in the South.	GAVI Fund Affiliate for its assignment to 70 countries in the South.
Object of the Programme.	MDG.	MDG 4.
Accounting Problems.	Weighting of the IFFIm (Basel II) and the computation of programmes as current debt both undetermined.	Closed 1. CEE: Inclusion of IFFIm as Multilateral Development Bank. 2. Basel II: Weighting of 0% for positions in IFFIm. 3. IFF Programmes are not current debt.
Subscription.	Market.	Mostly Wholesale and Institutional.
Law.	Undetermined.	English, Spanish, Italian.
Object of Securitization.	Guarantees on anticipated Donor ODA from 2015.	Grant Payments (commitments prior to 2016, according to an annual schedule, with payments from October 31, 2006).
Conditionality Clause.	Stated as a financial condition of first priority.	Same clause. PR/IFFIm.
Frontloading Mechanism.	It doesn't create new resources, it advances them.	The consignment is doubtful. Apparently the resources are additional.
Oversight Mechanisms.	Not stated.	Gearing ratio and others.[26]

Personal source and interpretation.

[26] DB/IFFIm, p. 92.

The World Development Movement (WDM)[27] and Centre for Global Development[28] reports seek to quantify the total effect. So far little has been done because up to now only one micro bond issue has been produced, but still, however humble, comparatively more resources have been made available in the short term and hopefully also this will prove to be the case in the total term.

Third, the IFF could result in a qualitative change in the effectiveness of aid through the agreement of the donors to abide by the so-called *basic principles*, such us untied aid and others.[29]

Fourth, the IFF provides predictability and the critical mass of aid necessary to undertake investments that are extensive, simultaneous, and sustainable among sectors, addressing the causes and not just the symptoms of poverty.[30]

In addition, the IFF is an instrument of consensus. It has received ample backing from emerging markets, developing countries, international institutions,[31] faith communities, NGOs, and private businesses. The web site of the British Treasury offers abundant documentation on these facts.[32] In April 2004, the African World Bank member countries assumed the IFF model en masse. The Commission for Africa has formally endorsed it.[33]

Lowlights of the Project

First, the very creator of the proposal, the British Government itself, understands that not all developing countries are capable of planning or effectively utilising massive supplementary aid, and that many will find notable bottlenecks in the scope and efficiency of their Public Sectors. Because of this it suggests that the IFF should activate the flow of aid gradually until reaching the goal of 50 billion dollars annually. In addition, it adds, the donor countries should collaborate with

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[27] Ibid. See also ROGERSON, A. (2004), *The IFF: Issues and Options*, Overseas Development Institute, Opinions. www.odi.org.uk/publications/opinions/15_the_IFF_April04.html

[28] BARDER, O. and YEH, E. (2006), *The Costs and Benefits of Front-loading and Predictability of Immunization,* Center for Global Development, Working Paper Number 80, January. www.cgdev.org/content/publications/detail/6178

[29] BD/IFF, p. 3.

[30] BD/IFF, p. 3.

[31] BD/IFF, p. 4.

[32] www.hm-treasury.gov.uk/documents/international_issues/international_development/development_ iff.cfm

[33] COMMISSION FOR AFRICA (2005), *Our Common Interest*, pp. 333-335.

the governments of the recipient countries to improve the channelling, distribution, and realization of funds.[34]

An objection to be discussed, depending on the level of promotion of the Instrument, would be the sum total of ODA activated, as compared to the sum of historically anticipated flows without the IFF over the course of 30 years.[35] To the extent that the securitized debt and its amortisation at maturity take place at the expense of projected ODA current budgets, the IFF will initially increase such aid, but at the end of the programme there would be a net loss. The reason is that securitization generates interest that, while charged to the current aid budget of the donor countries, will be destined to capital markets, the final investors of the securitized debt, and not to the recipient countries.[36] In line with the analyses carried out by WDM[37] and others, the securitization service results in more money in the short term, less money in the medium term, and an overall negative financial balance for the total of the facility. But this argument, while mathematically correct, assumes a zero sum ODA policy that seems difficult to contemplate within a 20 year scenario. The 4 billion dollars of the Immunisation Pilot Project have all the appearance of "additionality" in health aid to children under five years old, beyond the present commitments of future budgets.

Another unknown factor is the principle to be adopted for the Governance of the Securitization Fund (the IFF) or fund manager to be named. The manager will have to decide on matters of capital importance such as the High Level Principles[38] previously mentioned, among others. It is assumed that new institutions do not need to be created and that the money will be disbursed through existing bilateral and multilateral mechanisms. But this does not exclude the possibility that future decisions may be made with the participation of countries from the South. In the case of the Pilot Project, the negotiation of a new Governance as outlined in IFF/DB[39] does not appear to have been addressed. It is GAVI that determines the

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[34] BOURGUIGNON, F. and SUNDBERG, M. (2007), *Aid Effectiveness-Opening the Black Box,* World Bank. Available at: siteresources.worldbank.org/DEC/Resources/Aid-Effectiveness-MS-FB.pdf. Also on the World Bank's website "Development Effectiveness" at www.worldbank.org

[35] WORLD DEVELOPMENT MOVEMENT (2005), op. cit.

[36] With this in mind, the IFF could be the continuation of its closest precursor *debt relief*. In fact, *debt relief* was in its day considered a grand initiative that would translate into new cash flows for low income countries. However, reality has shown that it has come in great part from regular budgets, resulting in very minimal additional financing for development.

[37] WORLD DEVELOPMENT MOVEMENT (2005), op. cit. Table 1, p. 16.

[38] *High Level Principles* in HM TREASURY & DFID (2004), op. cit.

[39] HM TREASURY & DFID (2004), op. cit. paragraph 4.10.

qualified projects from among the group of 70 eligible countries. In any case, the authority of GAVI[40] and the function of Treasury Manager exercised by the World Bank must be taken into account in evaluating the autonomy of decision and participation of the final recipients.

Another point of inconsistency lies in the fact that in the IFF "donor pledges would be subject to recipient countries meeting a fundamental condition of good governance, breach of which would make it impossible for the donor to continue to make the committed annual payments to the IFF in respect of that recipient."[41] This fundamental condition receives the name *High Level Financing Condition*.[42] In the Pilot Project, this condition specifies that countries must be up to date in their payments to the IMF.[43] If the Market were to interpret that this clause would affect a large number of countries, it would discourage investors unwilling to acquire a bond with a guarantee subject to a condition precedent. It is therefore surprising that, even while subject to this clause, the Pilot Issue has obtained the maximum market rating from three principal Rating Agencies. Currently, four of the 70 countries eligible through GAVI are in arrears with the IMF and subject to the Conditionality Clause.[44]

An additional shadow hanging over the clear launch of the IFF is the possibility that only a small number of countries might commit to the project, and that the abstainers might include one or more of the large world powers, with their corresponding pull effect. Currently two important sceptics of the IFF are the United States and Japan, and everything points to the probability that they will not support the initiative in the short term.

Final remarks

The specific focus of this chapter is intended as a technical analysis rather than an all-out defence of the mechanism. The proposal of the British Treasury is of

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[40] GAVI is a public/private partnership created by permanent members (WHO, UNICEF, the World Bank, the Bill & Melinda Gates Foundation, and the GAVI Fund), rotating government representatives from wealthy and low income countries, and representatives from the vaccine industry, and health and research agencies. GAVI web op cit.

[41] HM TREASURY & DFID (2004), op. cit.

[42] *High Level Financing Condition* in ibid.

[43] *Grant Payment Condition,* PR/IFFIm, p. 65.

[44] PR/IFFIm, pp. 7 and 65. They are Liberia, Somalia, Sudan, and Zimbabwe. Given that each of these countries accounts for 1% of the total amount in the *Grant Agreement*, as established on page 13 of the Prospectus, the Donor Countries will remove 4% of the aid committed to GAVI if these countries do not regularize their situation.

undoubted significance and therefore calls for rigorous analysis to avoid creating false hopes and to point out any shortfalls or debatable points the proposal may contain. Precisely because the instrument's underlying purpose –the objective towards which it is aimed and focused– consists in mitigating the outrageous poverty ravaging the planet's disadvantaged countries, analysis is more necessary than ever prior to consenting to the moral imperative of action.

It has been necessary to verify whether the IFF is a valid proposal, since the securitization of assets, in this case future credit rights, is a useful and frequent practice in capital markets in order to mobilize huge sums, such as those required in order to meet the MDGs. The Pilot Experience (IFFIm) has demonstrated that financial markets have responded very favourably to the Bond Issue, because it is both a legitimate and intelligent construct that conforms to the practices and traditions of these financial markets.

As to the fact that it favours the medium term (until 2015) over the long term (2016 to 2032), if it overcomes the conceptual problems detected it can contribute to the financing of the MDGs. Since humans are essentially linked to the dimension of time, our thesis is that an advance of future funds that can alleviate poverty today has indisputable value, and we therefore position ourselves among its supporters.

In any case, the IFF should not distract from, nor obscure or delay, and least of all replace, the long-standing objective of 0.7% of GDP that the wealthy countries have committed themselves to in ODA. Remembering that this objective was adopted 40 years ago, if in 2005 all of the donor countries had reached even 0.45% of GDP, it would mean an additional sum of 50 billion dollars per year compared to the current amount – a larger sum than is anticipated through the IFF[45]. It is because of this lack of collaboration that we see the IFF mechanism as the securitization of an illegitimate moratorium on the ODA commitments adopted. If the transfer or temporary advance of funds entailed by the IFF were to slow down, delay, or in the worse case, counter the rate of ODA/GDP implementation to the stipulated level of 0.7%, we would be aiding and abetting not only the aforementioned moratorium, but an authentic sovereign default with regard to the moral imperative of eradicating or attenuating poverty. The necessary expectation is based on an IFF Macro Programme that not only advances but also adds to ODA over time; and this in the programmed amounts established in Gordon Brown's initial statement, with no further delay nor argument.

[45] CAFOD (2005), *International Finance Facility, CAFOD Response*. www.cafod.org.uk/policy_and_analysis/international_ finance

II. Taxing Foreign Exchange Transactions: The Tobin Tax

1. Origins of the Proposal

The Tobin Tax owes its name to James Tobin (1918-2002), an American economist who received the Nobel Prize in Economics in 1981 for "his analysis of financial markets and their relationship to consumption decisions, employment, production, and prices."[46] An heir to Keynesian thought[47] and financial advisor to President Kennedy, Tobin proposed his theory for the first time in 1973,[48] but it was not until 1978 that it received greater interest.[49] Like his precursor, he proposed government intervention in the economy in order to stabilize production and avoid recessions. Tobin's extensive, innovative work inspired research in the 1970s in the field of monetary equilibrium, the implications of government budget deficits, and stabilization policy in general.

On August 15, 1971, Richard Nixon announced that the US dollar would no longer convert to gold, effectively ending the system initiated in 1944 at Bretton Woods. In 1973 a system of floating exchange rates was generally adopted. Tobin proposed a new system of international monetary stability, through a charge or tax on foreign exchange transactions, with the goal of penalizing short term speculation on foreign currency trades.

The Tobin Tax, or Currency Transaction Tax (CTT), belongs to the dual framework of the "double dividend," generating financial resources on the one hand and serving as an instrument for regulatory purposes on the other.

According to the latest available data from the Bank for International Settlements in Basel in 2007, the global volume of foreign exchange transactions taking place in major markets and instruments exceeded 7.4 trillion dollars.[50]

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[46] *Press Release: The Sveriges Riksbank (Bank of Sweden) Prize in Economic Sciences in Memory of Alfred Nobel for 1981.* http://kilop.atspace.com/tobin-press.html

[47] KEYNES, J. M. (1936), *The General Theory of Employment, Interest and Money*.

[48] TOBIN, J. (1972), *The New Economics One Decade Older. The Eliot Janeway Lectures on Historical Economics in Honour of Joseph Schumpeter,* Princeton University Press, 1974.

[49] TOBIN, J. (1978), *A Proposal for International Monetary Reform,* Eastern Economic Journal, vol. IV, p. 15359.

[50] BANK FOR INTERNATIONAL SETTLEMENTS (2007), *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in 2007*. Daily average turnovers include traditional foreign exchange markets ($3.2 trillion) and OTC derivatives ($4.2 trillion) as of April 2007. www.bis.org/press/p07219.htm

This figure would constitute the hypothetical tax base. For a symbolic tax of 0.005%, which could scarcely interfere with market normality or operability, an estimation of 250 business days, and a multiplication factor of 2, applying the tax to both sides of the transaction, the annual payment would result in 185 billion US dollars[51] – more than three times the amount committed for the Millennium Development Goals.

2. Functioning of the Mechanism

Here we describe the Tax Base, Tax Rate, and the Collection and Management of the Tax.[52]

Tax Base: What would be taxed?

The prevailing theory is that the tax should apply to both organised and over-the-counter currency exchange transactions that occur in currency spot markets, as well as in outright forwards and currency swaps, though there is no consensus on the subject.

Tax rate: How much would be taxed?

Over the last 35 years, the tax rate has been diminishing from the bold figure of 1% to 0.005%[53] of individual tax bases.

In 1994, Paul Bernd Spahn[54] proposed a two-tier adaptation of the Tobin Tax to accomplish the two objectives of the tax: tax collection for social ends and the anticyclical policy aimed at foreign currency markets.[55] The first tier (0.01 or 0.02%), which Spahn calls PFTT (Politically Feasible Tobin Tax) would be automatically levied on all operations and generate a constant source of revenue under normal market circumstances. A second tier (with a rate of 50 or even 100%), named an Exchange Rate Normalization Duty,[56] would only be activated when the

[51] $107.5 thousand million.

[52] CARNERO ROJO, E., CEBALLOS RODRÍGUEZ, J., MARTÍNEZ HERNÁNDEZ, A., and ROMÁNS GARCÍA, J. (2003), *La Tasa Tobin*, Universidad de Deusto, Facultad de Derecho, Economía Internacional.

[53] KAPOOR, S. for the Tobin Tax Network (2004), *The Currency Transaction Tax. Enhancing Financial Stability and Financing Development*. www.tobintax.org.uk/download.php?id=270

[54] SPAHN, P. B. (1996), *The Tobin Tax and Exchange Rate Stability,* Finance and Development. SPAHN, P.B. (2002), *On the Feasibility of a Tax on Foreign Exchange Transactions*, Federal Ministry for Economic Cooperation and Development. www.wiwi.uni-frankfurt.de/professoren/spahn/tobintax

[55] SPAHN, P. B. (1996), op. cit.

[56] SPAHN, P. B. (2002), op.cit. Kapoor called the second tax a *circuit breaker*. KAPOOR, S. (2004), op.cit.

price of the currency in question exceeds the *tolerable* ranges or limits set by the Central Banks or Regulatory Authorities. Exchange rates would thus be maintained within an objective range, without requiring intervention by the Central Bank and the unnecessary depletion of its central reserves. Under this model the opportunity costs of maintaining foreign exchange reserves would be eliminated, of special importance to developing countries.[57]

Tax Collection: Who would collect it?

Various possibilities exist. Some economists support using already existing institutions. The Central Banks and the Tax Authorities of each country would be in charge of collecting the tax at the national level with the assistance of the Bank for International Settlements headquartered in Basel at the international level. The World Bank and the IMF could receive the collected revenues and add them to their budgets to respectively finance development and reinforce their intervention capacity.[58]

In the opinion of other economists, the liabilities of those Institutions, and the failures and social unrest they have created in the past, definitively discredit them to manage the tax. Moreover, the link between the tax and democracy is paramount. The funds collected from the tax should be collected in accordance with the principle "no taxation without representation."[59]

ATTAC[60] would create a new International Institute – integrated into the United Nations family through UNDP or in collaboration with the ILO, for example. Left open to debate is how to ensure the greatest transparency of the new Institution, ensuring its plural composition through representation from governments, parliaments, and civil society from each country.

Eatwell and Taylor propose the establishment of a World Financial Authority (WFA). This organization would complement the World Trade Organization (WTO).

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[57] KAPOOR, S. (2004), op.cit.

[58] BIRD, G. and RAJAN, R. (1999), *Time to Reconsider the Tobin Tax Proposal*, Surrey Centre for International Economic Studies, University of Surrey, UK.

[59] BÖÖK, M. *Despite Dispute: Reflections upon a Brainstorming over the Currency Transaction Tax* in *More Taxes: Promoting Strategies for Global Taxation* edited by PENTTINEN, J., SORSA, V., and YLÖNEN, M. and published by ATTAC Finland in 2005, pp. 46-61. www.attac.fi/moretaxes

[60] CASSEN, B. La *taxe Tobin, comment la gerer et pour financer quoi*, ATTAC. March 28, 2000. www.local.attac.org/35/La-taxe-Tobin-comment-la-gerer-et

The central role of the WFA would be to develop policies for managing systemic risk. The WFA's objectives would include requisite policies for maintaining high rates of growth and employment.[61]

3. Technical viability of the tax

Two questions hover over technical implementation of the tax. The first refers to the possibility of standardized differentiation between speculative and non-speculative transactions. Are there practical mechanisms for their differentiation? If so, could speculative transactions be taxed, while exempting or reducing the tax on other market transactions?

Second, must the tax be applied universally to avoid transactions being diverted to financial institutions not subject to the tax as a method of avoidance? This question also raises a related one: would there be other means or vehicles of avoidance even under universal application of the measure?

In order to respond to the first question we point to the fact that to speculate consists in managing expectations and anticipating events that may or may not occur, but that when speculation creates supply or demand in the market it is difficult to distinguish it from transactions triggered by other motivations (arbitrage and coverage, for example).

In most industrialized countries, individuals and businesses are only limited by their assets (including credit capacity) in taking speculative positions; Central Banks have means to identify such transactions, which in any case are not of any significant volume. It is the banking system itself, acting of its own accord, which can undertake transactions of larger scope and risk. But, as liquidity facilitators,[62] in their function as market makers, they can and should adopt currency positions that don't have as their objective unidirectional speculation, nor a frontal attack on another currency. Although the Supervising Entity, the Central Bank, has information on these operations, the dividing line between market making and speculation is exceedingly difficult to draw.

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[61] EATWELL, J. and TAYLOR, L. (1999), *Towards an Effective Regulation on International Capital Markets,* International Politics and Society, Politik und Gesselsachaft Online 3/1999. www.fes.de/ipg/ipg3_99/arteatwell.html
By the same authors (2000): *Global Finance at Risk: The Case for International Regulation,* New York, The New Press.

[62] The role of *Market Maker* assumed by the large banking groups (big players) consists in maintaining two-sided quotes of a foreign currency; that is, to quote the bid and the offer simultaneously; an essential function for the existence of counterparty and for maintaining market liquidity.

The second question, concerning vehicles or methods of avoidance, would require a more exhaustive explanation of the compensation mechanism of inter-bank currency exchanges that is beyond the scope of this article.[63]

For a tax of 0.005% (which is a feasible proposal), the low cost of compliance and the associated reputation risk would not justify the decision and costs of tax dodging, understood not as evasion *per se* (that is, the fiscal fraud of non-compliance with established law), but as by-passing and, as the case may be, unethical use of the law, to legally avoid payment of the tax. In avoidance through alternative means, the costs of moving toward second order compensation systems would entail a loss of economies of scale, efficiency, and security that would discourage non-supporters. The tax could be collected in the place of the compensation, whether the European community TARGET, the Continuous Linked Settlement (CLS), or other centralized compensation systems under the supervision of the Central Banks (CHIPS in the United States, RTGS in Germany, CHAPS in the United Kingdom, Swiftnet, etc.).

In this context we should take into account the ratification of the Basel Capital Accords (*Basel II*). Under these accords, immediately binding on the international banking system, the regulatory capital that Banks have to maintain varies in accordance with the rating of the counterparty transaction. The counterparty risk, which would be eliminated in systems still to be defined (probably the CLS), would imply lower capital costs than other institutions that use systems of lower recognition.[64]

In addition, although it is possible to use derivatives to try to avoid the tax, this is not viable on a large scale, since the derivatives market cannot operate efficiently in an isolated manner. Market derivative transactions end up appearing in the cash compensation system in one way or another, although they may differ to a greater or lesser extent.

The evolution and exponential growth of the CLS system provides a very convenient mechanism for the tax to be centrally collected at low costs. A tax on financial transactions (stamp duty and others) is already applied in various European countries and in the rest of the world. In the United Kingdom, Ireland,

[63] NOLTE, M. (1995), *El Mercado de Divisas: lógica o irracionalidad, Nuevos enfoques de gestión bancaria,* Universidad de Deusto, San Sebastián.

[64] Continuous Linked Settlement (CLS Bank): www.cls-group.com

and Belgium the tax is automatically collected through compensation systems, a method that could be used for the tax on currency transactions.[65]

4. Political Viability of the tax

Civil society has expended great effort in advocating in favour of an international tax on currency exchange transactions.[66] But a tax requires a Government decision and a global tax requires the unanimous agreement of all individual governments, as a result of joint action. Given the current climate, with multilateralism under question, this fact causes us to be pessimistic about the possibility of making real progress.

The liberal tradition of the last quarter century kept the Tobin Tax from being accepted, since any type of market intervention was rejected as a counter speculative instrument. Gradually, a progressive social consciousness in wealthy countries and the establishment in 2000 of the Millennium Development Goals created renewed political interest in the subject for fundraising purposes and found in the instrument a powerful source of development funding. This is where we see a small convergence between political actions, the most significant of which will be briefly described here by way of information and chronology.[67]

On a World Scale

In March of 1999 the Canadian Parliament adopted a motion to develop a report in favour of the Tobin Tax. In the same year, the Canadian Delegation submitted an amendment to the United Nations Social Summit requesting a study on the Tobin Tax (2000). Since then Canada has adopted a resolution for the implementation of a Foreign Exchange Transactions Tax (TTF initials in Spanish), subject to its general adoption by other countries.

In its 58th plenary session, in September-October of 2003, the United Nations General Assembly decided to "consider at its 59th session possible innovative sources of financing for development, and requests the Secretary-General to

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65 Cf. JETIN, B. in "*Ready for implementation", Technical and Legal Aspects of a Currency Transaction Tax and its Implementation in the EU*, February 2006, WEED. www.weed-online.org/publikationen/bestellung/index.html

66 To the extent that a "Treaty Project" (2002) was prepared and drafted. Authors are Heiki Patomäki and Lieven A. Denys. Cf. Patomäki, Heidi and Denys, Lieven. *Draft Treaty on Global Currency Transactions Tax*. www.nigd.org/ctt/en/CTT-treaty

67 Cf. Tobin Tax: Preparatory Note to the First Interparliamentary Meeting on the Tobin Tax at The European Parliament on 28 June, 2000. Parliamentarians for the Tobin Tax Bulletin, Number 6, Oct. 2001; also cf.: CIDSE: Redistribution through Innovative Measures: Background Paper: A Currency Transaction Tax, September 2004. www.cidse.org

submit the result of the analysis of this issue as called for in paragraph 44 of the Monterrey Consensus."[68] A tax on foreign currency transactions was one of the compensation mechanisms proposed. In its resolution 58/230 of December 23, 2003, it endorsed new studies on innovative sources for financing development, which led to the Atkinson Report submitted to the United Nations Services Conference on August 17, 2004.[69] The report argues in favour of the establishment of a tax on currency transactions, among other things.

On September 21, 2004, the United Nations Secretary-General submitted a note to the General Assembly (a policy summary of the UNU-WIDER study,[70] the aforementioned *Atkinson Report*), stressing the urgency of finding new sources of development funding, among which is included a tax on financial transactions.[71] Surprisingly, an extensive study by the Committee of Experts on International Cooperation in Tax Matters makes no reference to the subject.[72]

Subsequently, a document drafted by the Staff of the International Monetary Fund (IMF) and World Bank (B) for the Development Committee at its meeting of April 17, 2005 provides a major study on awareness of the subject in hand.[73]

Within the European Union

The *Finnish Government* has officially taken the position of supporting the tax (2000).

Within the *European parliament*, and prior to the 12 adopting a single currency, a document was published that deems the Tobin Tax a second class option compared to monetary union.[74] In 2000 a diverse group of 90 parliamentarians ini-

[68] United Nations Resolution A/C.2/58/L.83 issued December 15, 2003 by the United Nations General Assembly Second Committee following Session 58, pp. 4 &14.

[69] United Nations General Assembly, Doc A/59/272, (August 17, 2004). ATKINSON, A. B. (2004), *New Sources of Development Finance,* Oxford University Press.

[70] United Nations University, Investigation Institute in Development Economics.

[71] UNITED NATIONS SECRETARY-GENERAL (2004), *Innovative Financing Sources for Development*. www.wider.unu.edu/events/book-launch-FFD/sg-note-and-related-documents/English.pdf

[72] UNITED NATIONS. COMMITTEE OF EXPERTS ON INTERNATIONAL COOPERATION IN TAX MATTERS, *Report on the First Session* (December 5-9, 2005), Economic and Social Council, Official Records 2005, Supplement N. 25.

[73] IMF/WB DEVELOPMENT COMMITTEE (2005), *Moving forward Financing Modalities toward the MDGs,* Background document, DC2005-0008/Add. 1. siteresources.worldbank.org/DEVCOMMINT/Documentation/20449410/DC2005-0008(E)-FinMod%20Add1.pdf

[74] EUROPEAN PARLIAMENT (1999), *The Feasibility of an International Tobin Tax*, Economic Affairs Series, ECON.107 EN(PE 168.215). www.europarl.europa.eu/workingpapers/econ/107_en.htm

tiated a dialogue requesting that the Commission produce a study on the viability and interest of a tax on foreign currency movements. The proposal suggests addressing the IMF and the G8 secretariat to study possible sanctions against tax havens and countries that promote tax evasion in general. 220 parliamentarians voted in favour and the proposal was defeated by a meagre margin of six votes.

Under the Belgian presidency in 2001, the European Union ECOFIN[75] requested a study of the tax, the results of which were published in February, 2002.[76] The report agreed with the position of the EU at the United Nations conference on Development Financing in 2002. The same year, an interdisciplinary (Fiscal and Globalization) group of the European Parliament organized a debate on the Tobin Tax. The Parliament commissioned a study that was published in March, 2002.[77]

In February, 2006, and with a view to the Paris Conference (International Conference on Innovative Sources of Finance for Development), it cautiously agreed to the discussion of such a tax.[78]

In 2002, the *French Parliament* adopted an amendment to the 2002 National Finance Law with the premise of a maximum tax of 0.1% on foreign currency transactions that, as such, could be implemented if so decided at the European level.[79]

In 2003, President Chirac sponsored a group of experts on Innovative Sources of Development Financing, whose report, published on September 14, 2004, demonstrates the technical viability of a tax on foreign currency transactions among various options (*Landau Report*).

The best success in promoting a tax on foreign currency transactions was probably produced when in July, 2004 the *Belgian Parliament* approved a Law to that

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[75] Economy and Finance Ministers of the EU.

[76] COMMISSION OF THE EUROPEAN COMMUNITIES, *Responses to the Challenges of Globalisation: A Study on the International Monetary and Financial System and on Financing for Development.* http://globalpolicy.igc.org.socecon/un/unctad/2002/0228euglobal.htm

[77] EUROPEAN PARLIAMENT (2002), *Feasibility and Impact of Taxation for Development Assistance on International Capital Transactions,* Working Paper, DG for Research, Development Series, DEBE 104 EN.

[78] EUROPEAN PARLIAMENT (2006), *Joint Motion for a Resolution on the New Financial Instrument for Development in Connection with the MDG*, B6-0143/2006.

[79] French National Assembly. Financial Record 2002, number 3262, Approved November 19, 2001. Amendment of Article 986 of the General Financial Code. www.globalpolicy.org.socecom/glotax/currtax.htm

effect. The regulation introduces the Spahn model into the European setting in a more articulate manner.[80] The Law consists of 16 pages and sets an important precedent for its future extension throughout Europe. As would be expected, the final clause establishes that the tax will become applicable when the conditions for its implementation are accepted by the legislation of all of the countries in the European area. Its historic value is based on the fact that it validates an idea that has been open to much debate, through a series of articles very similar to those in the legislation that applies to VAT.

In the case of the European Union – as a common area – we are confronted with a legal constraint. That is, the European Common Market is characterized by the four great economic freedoms, one of which is the freedom of capital movements. Article 56 of the EC treaty and its agreements, and the subsequent directives and other rules applied in the Community, have established the elimination of barriers to capital movements. It would be necessary for all of the countries of the European Union to approve a regulation that would become part of the Community tradition at the Treaty level, so that they could unanimously reconcile a restriction such as that proposed by a tax on foreign currency transactions, if that were the basic underlying motivation, as impeding freedom of capital movements.[81]

An alternative route would reside in the defendable principle that the EU lacks exclusive authority in matters of indirect taxation and that the Member States are free to introduce a tax on foreign currency transactions.[82] Fiscal disparities are not prohibited under Community Law. Nevertheless, the second tier of the tax (Exchange Rate Normalization Duty), clearly an instrument of Monetary Policy, would fall under the exclusive authority of the EU.

An update of the state of the policy debate worldwide can be found in the minutes of the European Currency Transaction Tax Network, held in Cologne in 2005.[83]

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[80] Doc 51,0088/003 Chambre des Representants de Belgique. 1er Juillet 2004. *Projet de Loi instaurant une taxe sur les operations de change de devises, de billets de banque et de monnaies*. www.globalpolicy.org.socecom/glotax/currtax.htm

[81] NOLTE, M. (1987), *La libre circulación de capitales en la CEE. Consecuencias de su aplicación al modelo español,* Bolsa de Bilbao, Boletín de Información Financiera, number 23, pp. 17-45.

[82] DENIS, L. and JETIN, B. (2005), *Ready for Implementation. Technical and Legal Aspects of a Currency Transaction Tax and its Implementation in the EU.* World Economy, Ecology and Development. www.weed-online.org/publikationen/bestellung/index.html

[83] www.cttcampaigns.info/ecttn/Cologne%20meeting/ECNminutes.pdf

5. Conclusion

Usually associated with profoundly dogmatic diatribes (generalized rejection of the neo-liberal approach and return to the autonomy of liberal economic policies, or conversely, all-out championing of the free market), the Tobin Tax manifests itself, in any case, as an extremely powerful instrument for generating income for development. The growing awareness of this principle, as well as of its technical viability, has not been accompanied up to now by subsequent policy decisions.

Civil society will surely continue to demand a financing a thousand times proclaimed and promised, but which remains contingent upon multilateral political consensus. Such a consensus definitely must be reached, and would help to bring us closer to achieving the MDG.