Achieving the Millennium Development Goals is threatened by costs of climate change - a solution lies in Innovative Finance

After the recent report of the Intergovernmental Panel on Climate Change and other important dialogues by both Governments and NGOs it has become apparent that costs of Climate Change Adaptation and Mitigation will run into tens of billions of dollars each year. At present these costs threaten to swallow development budgets. Unprecedented choices now need to be made between, for example, protecting forests or building schools. Both are necessary - we must protect the environment and we have to develop the skills of future generations.

Additional sources of finance derived from Innovative Instruments are a relatively recent phenomenon. They have been on the sidelines boosting ODA in certain strategic areas such as Immunisation and HIV/AIDS treatments. They now need to move to centre-stage. Years of research into various initiatives has set the scene for the introduction of powerful untapped income streams worth billions of dollars. With the new budgetary pressure of Climate Change, Innovative Finance Instruments need to be introduced. Additional budgetary demands require Additional resources. Without them, how can the Millennium Development Goals possibly be met?

The exploration of “innovative sources of finance” is explicitly mentioned in paragraph 44 of the Monterrey Consensus and was highlighted in the “2007 Report of the Secretary-General on Follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/62/217)”. So important is progress in this field that the Secretary-General has created the role of Special Representative on Innovative Finance, appointing former French Minister of Foreign Affairs, Philippe Douste-Blazy, to the position. Since the UN Financing for Development Conference in Monterrey in 2002, Innovative Finance has been established on the international stage with the setting up of the ‘Leading Group on Solidarity Levies to Fund Development’ now comprising 53 countries. The launch in 2006 of the two ‘pilot’ innovative schemes, UNITAID and International Finance Facility for Immunisation (IFFIm)\(^i\), generating revenues greater than 1 billion dollars, indicate the enormous potential from this new area of financing. These initiatives, by providing children with inoculations and adults with drug treatments, are saving the lives of many thousands of people who otherwise would have died.

Examples of Innovative Instruments include nationally-collected and internationally-disbursed Aviation Levies (such as those financing UNITAID), as well as a range of well-researched initiatives to derive revenue from sectors including maritime, off-shore centres, luxury goods, extractive industries and banking. Various Financial Transaction levies, for example, including stocks, bonds and currency are simple and inexpensive to implement due to the electronic automation of these markets and would yield billions of dollars annually. Levies on Currency Transactions alone, according to the UN University report published in October 2007, have the potential of raising $33 billion annually.

### Recommendations
- Ensure explicit reference in the ‘Doha Outcome Document’ of the need for Innovative Finance to generate additional revenue, most specifically because of the vast, unforeseen costs of climate change.
- Urgently begin the process of implementing ‘Innovative’ Financing schemes especially those that have already been well-researched and are ready to be introduced now.
- Ensure a closer working relationship between UN processes and the “Leading Group on Innovative Financing.”
- Create a “Committee on Financing for Development” to ensure effective follow-up of the Doha Conference.

Contact: David Hillman, Stamp Out Poverty (UK), Eva Hanfstaengl, SocDevJustice, Germany

---

\(^i\) UNITAID is scaling up access to treatment for HIV, malaria and tuberculosis in low-income countries, see at [www.unitaid.eu](http://www.unitaid.eu)

\(^ii\) For more information, see at [www.iff-immunisation.org](http://www.iff-immunisation.org) and